ORIGINAL NEW APPLICATION

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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF GOLDEN SHORES WATER COMPANY, INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON	W-01815A-07-0117 DOCKET NO: W-01815A-07- **APPLICATION**

Golden Shores Water Company, Inc., an Arizona public service corporation ("Golden Shores" or "the Company"), hereby applies for an order establishing the fair value of its plant and property used for the provision of public utility service and, based on such fair value, approving permanent rates and charges for utility service provided by the Company designed to produce a fair return thereon. In support thereof, Golden Shores states as follows:

1. Golden Shores is a public service corporation engaged in providing water utility services in portions of Mohave County, Arizona, pursuant to a certificate of public convenience and necessity granted by the Arizona Corporation Commission (the "Commission"). At the present time, the Company provides water utility service to nearly 1,600 customers in Arizona.

2. The Company's central business office is located at 12812 Highway 66, Topock, Arizona, 86436. Its mailing address is PO Box 37, Topock, Arizona 86436, and

its telephone number is (928) 768-3110. Golden Shores' President is Linda Wayland (nee Boyer), who is responsible for the management of the Company. **All discovery, data requests and other requests for information concerning this Application should be directed to Ms. Wayland, with a copy to undersigned counsel for the Company.**

3. In this Application, the Company seeks a determination of the current, fair value of its property devoted to public service and approval of permanent adjustments to its rates and charges for utility service based thereon.

4. The Company's current rates were approved in Decision No. 61832 on July 20, 1999. The Company's current rate of return, based on the adjusted Test Year data, is a negative 7.0 percent. Consequently, a rate increase is necessary to ensure that the Company recovers its operating expenses and has an opportunity to earn a reasonable return on the fair value of its utility plant and property devoted to public service.

5. Golden Shores maintains that revenues from its operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public service. The Company's rate base has increased since the previous rate proceeding, and operating expenses also have increased due in large measure to growth and new water treatment requirements. These increases have caused the revenues produced by the current rates and charges for service to become inadequate to recover operating expenses and provide a reasonable rate of return. Therefore, the Company requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that the Company may earn a just and reasonable rate of return on the fair value of its property.

6. Filed concurrently in support of this Application is the direct testimony of Thomas J. Bourassa, who will be sponsoring the Company's schedules. Mr. Bourassa's testimony is attached hereto as **Exhibit A**.

7. Filed concurrently herewith included with the Company's direct testimony are the schedules required pursuant to A.A.C. R14-2-103 for the rate applications by Class "C" water utilities, with the exception of the schedules labeled "G" (cost of service analysis). The latter schedules have been omitted because the Company does not propose to change the allocation of the revenue requirement between customer types from that approved by the Commission when it established Golden Shores' current rates. The Test Year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended June 30, 2006. Golden Shores requests that the Commission utilize such Test Year in connection with this Application, with appropriate adjustments for utility plant that has been completed and placed in service to serve existing customers by June 30, 2006, and appropriate adjustments to the Company's operating expenses in order to obtain a normal or more realistic relationship between revenues, expenses and rate base during the period in which the rates established in this proceeding are in effect.

8. During the Test Year, the Company's adjusted gross revenues were **$507,533** and the adjusted operating income was negative **$49,181**. The adjusted fair value rate base was **$702,219**. Thus, the rate of return on rate base during the Test Year was a negative **7.0%**. The Company submits that these rates of return are inadequate to allow it to service its debt, pay a reasonable dividend to its stockholders, maintain a sound credit rating, and enable Golden Shores to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. The Company is requesting an increase in revenues equal to **$154,035**, which constitutes an increase in revenues of **30.35%**. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on rate base equal to 9.81 %.

WHEREFORE, the Company requests the following relief:

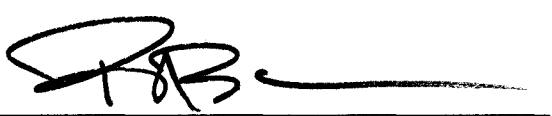
A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. § 40-251 and determine the fair value of Golden Shores' utility plant and property devoted to public service;

B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for utility service provided by Golden Shores, as proposed by the Company herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of the Company's utility plant and property; and

C. That the Commission authorize such other and further relief as may be appropriate to ensure that Golden Shores has an opportunity to earn a just and reasonable return on the fair value of its utility plant and property and as may otherwise be required under Arizona law.

RESPECTFULLY SUBMITTED this 23rd day of February, 2007.

FENNEMORE CRAIG

By 

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ORIGINAL and thirteen (13) copies of the foregoing, together with the separately bound schedules and direct testimony supporting this application, were delivered this 23rd day of February, 2007, to:

Docketing Supervisor
Docket Control Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

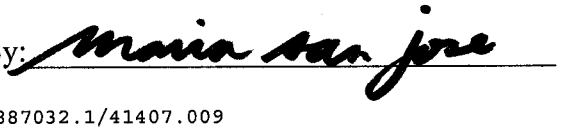
By: 

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EXHIBIT A

Direct Testimony of Thomas J. Bourassa

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF GOLDEN SHORES WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01815A-06_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

I. INTRODUCTION AND QUALIFICATIONS.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my consulting practice, I have prepared and/or assisted in the preparation of various water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission"), including Vail Water Company, E&T Water Company, Ponderosa Utility Company, Diablo Village Water Company, New River Utility Company, Far West Water & Sewer Company, Sedona Venture Water and Sewer, Bella Vista Water Company, Rio Verde Utilities, Gold Canyon Sewer Company, Green Valley Water Company, Beardsley Water Company, Livco Water and Sewer Company, Pine Water Company, Arizona-American Water Company, Chaparral City Water Company, Valley Utilities Water

Company, Community Water of Green Valley, Black Mountain Sewer Company, Goodman Water Company, Utility Source, and Avra Water Co-op.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, Golden Shores Water Company ("Golden Shores" or "the Company"). Golden Shores is seeking increases in its rates and charges for water utility service in its certificated service area, which is located in Mohave County.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the Company's proposed adjustments to its rates and charges for water utility service. I am sponsoring Schedules A through H, which are filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of the relevant books and records for the Company. The Company has not prepared a cost of service study, so the G Schedules are omitted.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The test year used by Golden Shores is the 12-month period ending June 30, 2006 ("Test Year"). The Company is requesting an 11.0 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications. *See* A.A.C. R14-2-103. These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base is $702,219. The increase in revenues

to provide for recovery of operating expenses and an 11.0 percent return on rate base is approximately $154,035, an increase of approximately 30.35 percent over the adjusted and annualized Test Year revenues.

Q. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS TIME?

A. The Company's rates for water utility service have not been increased since its last rate case in 1999 (Decision No. 61832, July 20, 1999). The Company's current rate of return, based on the adjusted Test Year data, is a negative 7.0 percent. Consequently, rate increases are necessary to ensure that the Company recovers its operating expenses and has an opportunity to earn a reasonable return on the fair value of its utility plant and property devoted to public service.

III. SUMMARY OF A, E AND F SCHEDULES.

Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. Golden Shores is classified as a Class C utility per the Commission Rules. *See* A.A.C. R14-2-103-A. The Company has prepared the required schedules for Class C utilities.

The A-1 Schedule is a summary of the rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. As shown, a 9.81% percent return on FVRB is requested. The increase in the revenue requirement is $154,035. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the Test Year, prior years, and a projected year at present rates and proposed rates.

Schedule A-4 contains the plant construction, and plant in service for the Test Year and prior years. The projected plant additions are also shown on this

schedule.

The E-1 Schedule contains the comparative balance sheet data for the fiscal years 2004, 2005, and June 30, 2006.

Schedule E-2, page 1, contains the income statement for the fiscal years 2004, 2005, and the year ending June 30, 2006.

Schedule E-5 contains the Company's plant in service at the end of the Test Year, and one year prior to the end of the Test Year.

Schedule E-7 contains operating statistics for the fiscal years ending June 30, 2004, June 30, 2005, and the Test Year.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. The Company does not prepare audited financial statements and, as a consequence, they are not available.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

Schedule F-3 shows the Company's projected construction requirements for one year subsequent to the Test Year.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

IV. RATE BASE ("B" SCHEDULES).

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE "B" SCHEDULES?

A. Yes. I will start with Schedule B-5, which provides the Company's working capital allowance. Because Golden Shores is a small water utility, I used the

formula method of computing the working capital allowance to reduce expenses associated with seeking rate relief.

Q. WAS A WORKING CAPITAL ALLOWANCE INCLUDED IN RATE BASE IN THE COMPANY'S PRIOR RATE CASE?

A. Yes. The Company was also classified as a Class C utility during that rate case as well, and used the formula method to compute working capital.

Q. PLEASE CONTINUE.

A. The Company's filing does not include Schedules B-3 and B-4. To reduce rate case expense, as well as the potential for disputed issues, Golden Shores is requesting that its original cost rate base ("OCRB") be used as its FVRB.

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the OCRB proposed by the Company. Schedules B-2, pages 2 through 3, are the supporting schedules. These adjustments are, in summary:

Adjustment number 1 reduces accumulated depreciation to the re-computed amounts per the Company's plant schedules.

Q. ARE THE PLANT AND ACCUMULATED DEPRECIATION DATA SHOWN ON SCHEDULE B-2 CONSISTENT WITH THE LAST COMMISSION ORDER?

A. Yes. As I stated, the Company's last rate case was concluded in 1999. The test year in the prior case was the 12 months ending May 31, 1998. Thus, the plant shown on Schedule B-2 started with the plant and accumulated depreciation approved in the last rate case and depicts plant additions and retirements through the end of the Test Year. Pages 2a through 2f of the B-2 schedule show the details of plant additions, retirements, and accumulated depreciation through the end of

the Test Year using the half-year convention for depreciation. The depreciation rate approved in the last rate case was a composite rate of 5.0 percent.

Q. WHY IS THERE A DIFFERENCE BETWEEN THE RECORDED ACCUMULATED DEPRECIATION AT THE END OF THE TEST YEAR AND THE RECOMPUTED AMOUNT?

A. The adjustment required is primarily due to unrecorded depreciation for the six months ended June 30, 2006.

Q. PLEASE CONTINUE.

A. Adjustment number 2 increases plant in service for post-Test Year plant. This plant consists of a new well, storage tank and related structures. The Company's long-term debt was used to finance this plant. This plant is revenue neutral and is necessary to serve the year-end level of customers. At this time, the remaining plant to be completed consists of fencing and security related items.

Adjustment number 3 increases plant-in-service for operating expenses and revenues reclassified to plant in service. The expense and revenue reclassification adjustments to plant-in-service will be discussed later in my testimony.

Adjustment number 4 reduces net contributions-in-aid of construction ("CIAC") for an additional 6 months of amortization.

Adjustment number 5 increases deferred income taxes to reflect the Company's proposed increases to plant-in-service and is in conformance with FAS 109 – Accounting for Income Taxes. In the instant case, the deferred income tax is an asset rather than a liability.

Adjustment number 6 depicts working capital computed using the formula method as shown on schedule B-5.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A. As stated, the FVRB shown on Schedule A-1 is based on OCRB.

V. <u>INCOME STATEMENT ("C" SCHEDULES)</u>.

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The Test Year adjusted income statement is shown on Schedule C-1. Details of adjustments are shown on Schedule C-2, pages 1 through 13. The following is a summary of adjustments shown on Schedule C-1:

Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates approved in the Company's last rate case was a composite rate equal to 5.0 percent for all plant. The Company requests authority to use individual rates by plant account to more realistically reflect individual plant lives. The Commission has been moving away from the use of composite depreciation rates in favor of individual rates. Uniform rates are not always appropriate because they do not reflect a realistic expected life of the plant. The Company's proposed depreciation rates are published by the ACC Staff and are considered typical and customary.

Q. IS THIS TREATMENT CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A. Yes. Please see *Chaparral City Water Company*, Decision 68176 (September 30, 2005) at 34, and *Valley Utilities Water Company*, Decision 62908 (September 18, 2000) at 5.

Q. WERE DEPRECIATION STUDIES COMPLETED IN THOSE CASES?

A. No. While a depreciation study would provide more definitive rates, depreciation

studies are costly and often result in controversy. This in turn results in higher rate case expense. Staff's typical and customary rates are based on anticipated depreciation lives developed by the National Association of Regulatory Commissioners, a recognized authority.

Adjustment 2 increases the property taxes based on proposed revenues. The Company's adjustment recognizes the recently passed Arizona legislation (H.B. 2779), now codified in A.R.S. § 42-15001, entitled "Assessed Valuation of Class One Property." The law reduces the assessment ratio ½ percent (0.5%) for the next 10 years starting in 2006. Golden Shores has proposed a three-year reduction in the assessment ratio, from 25 percent to 23.5 percent.

Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED RATES?

A. To determine full cash value, I used the method employed by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR" or "the Department"). This method determines full cash value by using twice the average of three years of revenue, plus an addition for CWIP and a deduction for the book value of transportation equipment. In the instant case, I used two times the adjusted revenues for June 30, 2006, and revenues at proposed rates. The assessed value (23.5 percent of full cash value) was then multiplied by the property tax rate to determine adjusted property tax expense.

Q. IS THIS METHOD CONSISTENT WITH HOW PROPERTY TAXES WERE TREATED IN PRIOR COMMISSION DECISIONS?

A. Yes. Please see *Rio Rico Utilities*, Decision No. 67279 (October 5, 2004), at 8; *Arizona Water Company*, Decision No. 64282 (December 28, 2001) at 12-13; *Bella Vista Water Company*, Decision No. 65350 (November 1, 2002), at 16; *Arizona-American Water Company*, Decision No. 67093 (June 30, 2004), at 9-10.

Even more recently, this methodology was utilized by the Commission in *Chaparral City Water Company,* Decision No. 68176 (September 30, 2005), at 13-15 and *Arizona Water Company-Western Group*, Decision No. 68302 (November 14, 2005) at 28-29. The Commission stated that "Staff calculated property taxes using its proposed adjusted test year revenues twice and its recommended revenues once to calculate a three year average of revenues. We agree with Staff that using only historical revenues to calculate property taxes to include in the cost of service fails to capture the effects of future revenue from new rates, and can result in an understatement or overstatement of property tax expense." Decision No. 67093 at 9-10.

Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH REVENUES PROPER RATEMAKING?

A. Yes. Like income taxes, which are also based on the amount of revenue the utility realizes, property taxes must be adjusted to ensure that the new rates are sufficient to produce the authorized return on rate base. For this reason, since the new ADOR methodology was adopted several years ago, the Commission has repeatedly approved the use of proposed revenues to determine an appropriate level of property tax expense to be recovered through rates.

Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME NEW RATES CHARGED TO CUSTOMERS GO INTO EFFECT AND THE DATE ON WHICH PROPERTY TAXES ARE ACTUALLY PAID?

A. Yes. As an example, if new rates for the Company went into effect on January 1, 2007, property taxes based on these new rates would first appear on the property tax bill received in September 2008. However, the Company should be accruing property taxes to match the revenues collected. Thus, there is no mismatch between revenues and expenses. Moreover, the property taxes resulting from my

calculation are based on only a portion of proposed revenues. To properly consider the future impact of the rate increases, I should have computed the proposed property taxes based solely on proposed revenues rather than averaging proposed and historic revenues. In addition, I should have used a higher assessment ratio. However, I chose not to in order to make, this adjustment conservative.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 3 shows the rate case expense. The Company estimates rate case expense of $100,000 amortized over four years because it believes a four-year cycle for future rate cases is reasonable given this utility's circumstances.

Q. DO YOU BELIEVE THIS IS A REASONABLE AMOUNT OF RATE CASE EXPENSE GIVEN THE REQUESTED INCREASE IN REVENUE?

A. Yes. Rate case expense is primarily driven by three factors: (1) the Commission's ratemaking process; (2) the length of time between rate cases; and (3) the number of parties, issues and complexity of the proceedings.

Q. PLEASE DISCUSS THE FIRST OF THESE FACTORS.

A. The Company cannot raise its rates except by filing for rate relief, and the Commission dictates the process for obtaining rate relief. Golden Shores, which is a Class C water provider with roughly 1,500 customers, has to file substantially the same schedules as a Class A or B utility (*i.e.,* APS, Arizona Water, and Southwest Gas) with thousands of customers. While a larger utility's filing would obviously be "larger," Golden Shores still faces the same requirements of filing multiple copies of every document, as well as complying with the notice requirements imposed by the Commission on larger utilities. For instance, the Company must prepare three rounds of pre-filed testimony, participate in all of the procedural and

evidentiary hearings and open meetings, and typically, file one or more rounds of closing briefs. To meet all of the requirements of obtaining rate relief, Golden Shores requires the assistance and expertise of a regulatory accountant and attorney, resulting in a substantial portion of the rate case expense actually incurred.

Q. PLEASE DISCUSS THE SECOND FACTOR.

A. The length of time between rate cases has a substantial impact on rate case expense. Every rate case involves reconciliation of plant accounts since the last rate case. Obviously, the longer it has been, the more difficult the reconciliation. Similarly, longer periods between the determination of operating expenses typically means more increases in expenses. This leads to larger increases, which are typically more controversial.

Q. PLEASE DISCUSS THE THIRD FACTOR THAT YOU HAVE IDENTIFIED AS AFFECTING RATE CASE EXPENSE.

A. The number of parties has a substantial impact on rate case expense. Cases where RUCO intervenes as a party require more effort than in cases where the only other party is Staff. Customers and other intervenors add to the complexity of the proceedings. The number and complexity of disputed issues also influences total rate case expense, and those impacts cannot be known until the case is nearly completed.

Q. IS THIS THE REASON YOU REFERRED TO THE RATE CASE EXPENSE AS AN ESTIMATE?

A. Yes, it is an estimate based on my experience. But I can only consider the foreseeable. If things turn out more complicated than anticipated, the Company will modify its request to account for that increased expense. Conversely, if the case proceeds and rate case expense is lower than expected, I would make an

appropriate adjustment downward.

Q. SHOULDN'T THE COMPANY'S SHAREHOLDERS BEAR SOME OF THE BURDEN OF RATE CASE EXPENSE?

A. As a practical matter, a utility's shareholders always bear some level of rate case expense. My estimate of $100,000 assumes Golden Shores will actually incur a higher amount of total rate case expense. I would also agree that if the utility does something improper or advances positions in bad faith, it should shoulder the burden of such actions. But, as I testified, the Commission dictates the process, not the utility, and absent such circumstances, the utility must be allowed to recover its reasonably incurred rate case expense.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS?

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization was based on the number of customers at the end of the Test Year, compared to the actual number of customers during each month of the Test Year. Average revenues by month were computed for the Test Year. The average revenues were then multiplied by the increase (or decrease) in number of customers for each month of the Test Year.

Q. WHY IS THE ANNUALIZATION OF REVENUES NEGATIVE – A REDUCTION OF REVENUES?

A. The negative revenue is due primarily to annualization of standpipe or construction water sales. A new development, Topock Village Estates, began using a substantial amount of construction water in 2005 and ceased taking water in July 2006, a month after the end of the Test Year. The Company has removed approximately $44,000 from water revenues for these water sales. Since the Company does not expect construction water sales to continue at the level which

occurred during the Test Year, these revenues are not normal and recurring and should be excluded from the determination of the revenue requirement.

Q. IS THE LOSS OF CONSTRUCTION WATER SALES A KNOWN AND MEASURABLE CHANGE?

A. Yes. First, water sales to Topock Village Estates ceased in July 2006 and no subsequent water sales have occurred. Second, there are no other developments expected to provide a replacement to these water sales.

Q. DID THE COMPANY REMOVE ALL STANDPIPE WATER SALES FROM THE TEST YEAR REVENUES?

A. No. There remains approximately $18,000 of these sales in the Test Year revenues. The Company believes that this level of standpipe water sales is more normal.

Q. PLEASE CONTINUE.

A. Adjustment number 5 removes a negative materials and supplies expense amount from the Test Year and sets it at zero, because a negative Test Year expense does not make sense.

Adjustment 6, labeled as 6a and 6b, removes other income and expenses to eliminate their effects on income taxes.

Adjustment 7 removes capitalized expenses from repairs and maintenance expense. The Company identified two invoices recorded to repairs and maintenance totaling over $29,000, which the Company believes should be reclassified to plant-in-service. The nature and amount of these expenditures are more appropriately classified as capital related. This amount is reflected in the Company's rate base adjustment number 3.

Adjustment 8 adjusts interest expense for interest synchronization with rate base. The purpose of an interest synchronization adjustment is to synchronize the

portion of the rate base that is supported by debt with the interest expense deduction that determines income tax expense for ratemaking purposes. In determining the interest expense, the Company proposed rate base is multiplied by the weighted cost of long-term debt included in the capital structure.

Adjustment 9 annualizes purchased power expense based on the additional gallons sold from annualizing revenues to the year-end number of customers. This adjustment results in a reduction to purchased power expense of over $5,000. The reduction is primarily due to the Company's proposed reduction to standpipe (construction) water sales.

Adjustment 10 increases miscellaneous revenues for a misposted capital related item. It appears the Company inadvertently recorded a construction related expenditure to water revenues. The amount has been removed from water revenues and reclassified to plant-in-service, and is reflected in the Company's rate base adjustment number 3.

Adjustment 11 reclassifies standpipe water sales originally booked to miscellaneous revenues to metered water revenues. This is basically a housekeeping adjustment because it does not impact total revenues.

Adjustment 12 adjusts income tax expense to reflect income taxes at proposed revenues.

VI. COST OF CAPITAL ("D" SCHEDULES).

A. Rate Of Return Summary

Q. WOULD YOU PLEASE SUMMARIZE YOUR RECOMMENDED EQUITY RETURN?

A. Yes. I am recommending a return on equity ("ROE") of 11.0 percent. My recommendation is based on cost of equity estimates using constant growth and multi-stage growth discounted cash flow ("DCF") models and is confirmed by a

risk premium analysis, current and projected equity returns for the sample group of publicly traded utilities, and my review of the economic conditions expected to prevail during the period in which new rates will be in effect. Golden Shores has long-term debt comprising approximately 32 percent of the capital structure. The weighted cost of capital as shown on schedule D-1 is 9.81 percent.

The cost of equity for Golden Shores cannot be estimated directly because it is extremely small and is not publicly traded. Therefore, there is no market data for Golden Shores. Consequently, I applied the DCF models to a sample of water utilities selected from the *Value Line Investment Survey*. There are six water utilities in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. I selected these water utilities because Staff has used them in recent water utility rate cases. To test my DCF results, I performed a risk premium analysis based on 10-year Treasury rates. Computations of common equity returns using DCF and risk premium approaches are shown on schedules D-4.8 through D-4.12.

My DCF analysis indicates that a ROE in the range of 8.7 percent to 12.8 percent is appropriate for the large publicly traded companies. My risk premium analysis serves as a check of reasonableness for the DCF results. That analysis indicates a ROE in the range of 10.2 percent to 11.1 percent. Value Line projects equity returns for the water utility industry for 2009-11 of 11.5 percent. A return on equity of 11.0 percent provides for the higher risk of an investment in Golden Shores compared to the large publicly traded water companies. It is within the ranges of my estimates and is conservative when Golden Shores' extremely small size compared to the sample and other business and operational risks not captured by the market data are considered.

Q. HAVE YOU PREPARED ANY SCHEDULES AND ATTACHMENTS TO ACCOMPANY YOUR TESTIMONY?

A. Yes. The D-1 Schedule shows the common equity, relevant long-term debt and the weighted cost of capital. As stated, Golden Shores requests a return of 9.81 percent on its FVRB.

B. <u>Overview of the Cost of Capital</u>

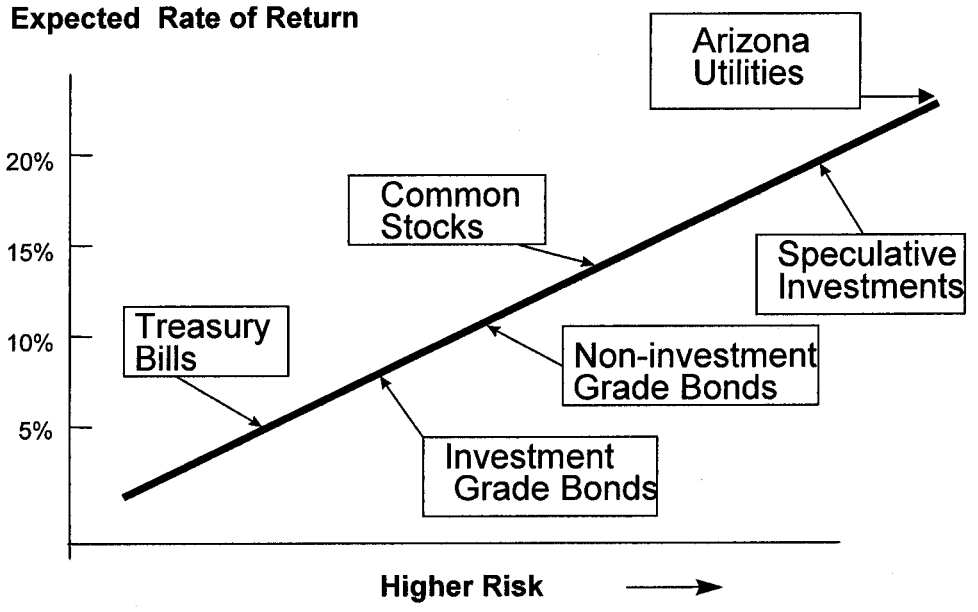
Q. PLEASE PROVIDE AN OVERVIEW OF THE COST OF CAPITAL.

A. Put simply, the cost of capital is the rate of return that equity investors expect to receive. Investors can choose to invest in many types of assets. Each will have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their invested capital.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.

The Capital Market Line (CML)



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases as one moves upward and to the right along the CML. As the risk of an investment increases, the expected return on the investment also increases.

Q. HOW DOES THE RISK-RETURN TRADE-OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As already suggested by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all

other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate investors for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they have more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation, as well as market-wide factors such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment versus another. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms, and therefore they must be estimated from market data. Estimating the cost of equity capital is a matter of informed judgment about the relative risk of the company in question and the expected rate of return characteristics of other alternative investments.

Q. HOW IS THE COST OF CAPITAL FOR A PARTICULAR UTILITY DETERMINED?

A. The measurement of a utility's cost of capital is a complex topic. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common

equity. Each of these sources of funds has a cost. The unit cost of the various component sources of capital is an important input into the calculation of a utility's overall cost of capital.

The data for such an analysis comes from the capital market where a firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial institutions. In the highly competitive capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest; and

2) The uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q. WOULD YOU DISCUSS THESE FACTORS IN GREATER DETAIL?

A. The pure rate of interest essentially reflects both the time preference for, and the productivity of, capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without risk do not exist. Every commitment of funds involves some degree of uncertainty. U.S. Government obligations, however, may at times approach something like a risk free rate of interest. It must be pointed out, however, that U.S. Treasury obligations are only "risk free" in the sense that they are typically regarded as being free of default risk. Holders of these obligations still face the dangers of purchasing power loss (inflation risk) and the

loss of capital values if real interest rates rise (interest rate risk).

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk adverse and require that the rate of return increase as the risks (uncertainty) associated with an investment increase.

Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually,

Required Return for Common Stocks	=	Return on a risk-free asset	+	Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML, above. As I will discuss in the next section, this concept is the basis of risk premium methods I used to estimate the cost of equity.

Q. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL MARKETS?

A. In the past 10 years, inflation and capital market costs have generally declined. Interest rates have been lower than in previous decades. Inflation, as measured by the Consumer Price Index, has been at relatively low levels. The uneven pace of the economy kept consumer prices in check and resulted in low interest rates. Since the first quarter 2004, however, improving economic growth and concerns about inflation have led to fluctuating interest rates. The Federal Reserve began raising interest rates in June 2004 to address these concerns. The Federal Reserve has raised the interest rate 17 times since mid-2004.

The economic forecast data show clear expectations for continuing economic growth, albeit at a slower pace than was seen in 2004 and 2005. Real

GDP growth for the 3rd quarter of 2006 was 2.0 percent and is not expected to be much higher for the 4th quarter 2006. A greatly diminished drag from the construction and motor vehicle sectors are expected to foster a transition to an improving real GDP growth over the course of 2007. Helping to sustain consumer spending, economists expect a continued rise disposable personal income, lower energy prices, and the healthy effects of higher equity prices. Hindering consumer spending, economists expect a continued pullback in mortgage equity withdrawals and slower job growth. Combined, these factors are expected to result in real GDP growth of about 2.5 percent in the first half of 2007, improving to 2.9 percent by the 4th quarter of 2007. By the first half of 2008, real GDP growth is expected to reach 3.1 percent.

At the Federal Open Market Committee ("FOMC") meeting on December 12th 2006, policymakers did not change the target federal funds rate but remained concerned about heightened inflation pressures and retained an interest rate tightening bias in its policy statement. While the yield curve currently remains inverted (an indication that the market expects short-term interest rates to decline), the Blue Chip consensus forecast suggests that no more than a 25-50 basis point easing by the FOMC in the latter part of 2007. The Blue Chip consensus also forecasts that the yield curve will disinvert in the second half of 2007 and remain fairly flat through the first half of 2008.

Q. CAN YOU ILLUSTRATE THE TREND IN INTEREST RATES OVER THE PAST FEW YEARS?

A. Yes. The 2003 annual yields for the 5, 10, and 20 year U.S. Treasuries were 2.97 percent, 4.01 percent, and 4.96 percent, respectively. Current yields on 5, 10, and 20 year U.S. Treasuries are 4.69 percent, 4.70 percent and 4.90 percent, respectively. The Blue Chip long-term forecasts (2008-2009) for the 5, 10, and 30

year U.S. Treasuries are 5.05 percent, 5.15 percent, and 5.35 percent, respectively.

Q. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND INTEREST RATES?

A. Yes. As illustrated by the CML, the cost of equity moves in the same direction as interest rates. Rising interest rates over the past few years indicate the cost of equity has risen. The trend in interest rates discussed above is an important factor in estimating the cost of capital.

Q. IS GOLDEN SHORES AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND CONCERNS?

A. Yes. To varying degrees, all the water utilities in the sample are affected.

Q. WHAT ARE THE RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY AFFECTING UTILITY INVESTMENTS AND THE MARKET?

A. Although the water utilities in the sample have recently encountered a more favorable regulatory environment, especially in California, the water utility industry is expected to confront increasing infrastructure demands. Much of the current infrastructure is over 100 years old and in need of significant maintenance and, in some cases, massive renovation and replacement. In addition, water companies are faced with the continued heightened threat of bio-terrorism on U.S. pipelines and reservoirs as well as the continuing need to comply with EPA water quality standards and requirements. As infrastructure costs continue to climb, many smaller companies are at a disadvantage. Without sufficient resources to fund improvements, many companies are being forced to sell to larger utilities with the flexibility and capital to deal with these problems.

Q. WOULD YOU PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS?

A. Certainly. With reference to specific utilities, risk is often discussed as consisting

of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For example, one of the biggest risks Golden Shores faces is the ever-changing regulatory climate. Water utilities are subject to strict regulation because of the health and safety risks associated with their operations. The environmental rules frequently change, usually resulting in additional requirements and increased costs.

The greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in the company and the greater the compensation required by the investor.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

Although often discussed separately, the two types of risks are interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk.

In other words, the total risk to an investor would be higher if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Generally, when a firm engages in debt financing, it exposes itself to risks that, once debt becomes significant relative to the total capital structure, increase in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects on the investor. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method. For a company already perceived as being over-leveraged, this additional borrowing would cause the marginal cost of both equity and debt to increase. On the other hand, if the same company instead employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

The theoretical optimum ratio of debt to equity in the capital structure will vary considerably from one industry to another and, to a very significant extent, among companies within a given industry, based on the size of the company and its ability (or inability) to attract capital. A theoretically "balanced" capital structure

is one that provides debt with adequate protection, yet contains enough leverage to produce equity earnings sufficient to attract new equity capital (but not so large a degree of leverage as to introduce earnings instability and render equity investment speculative). For smaller utilities, financial leverage often has detrimental impacts with very slight increases in expenses. As a consequence, smaller utilities like Golden Shores cannot support the same percentage of debt in their capital structure as a larger utility.

Q. HAS THE U.S. SUPREME COURT SET FORTH ANY STANDARDS THAT APPLY TO EQUITY RETURNS?

A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertaking which are attended by corresponding risks and uncertainties.... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

In *Federal Power Commission v. Hope Natural Gas*, 320 U.S. 591, 603 (1944), the Supreme Court stated the following regarding the return to owners of a company:

> [T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return moreover, should be sufficient to assure confidence to the financial integrity of the enterprise so as to maintain its credit and to attract capital.

Taken together, these cases provide the foundation for later cases dealing with the issue of rate of return. In summary:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility;

(3) The return should be sufficient to maintain and support the utility's credit; and

(4) The return should enable the utility to attract capital necessary for the proper discharge of its duties.

Based on these principles, the fair rate of return should closely parallel investor opportunity costs as discussed above. If the utility earns its market cost of equity, neither its stockholders nor its customers should be disadvantaged.

Q. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A. The application of the "reasonableness" criteria laid down in these Supreme Court cases has resulted in significant controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity), used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of measuring the cost of equity capital. The increasing regulatory emphasis on objectivity in determining of return has resulted in a proliferation of quasi-mechanical techniques and formulae for use in equity return determination. As will be discussed more fully below, however, none of the techniques introduced has been universally accepted and they necessarily involve the exercise of

informed judgment.

C. **Estimating the Cost of Equity Capital**

Q. WOULD YOU BRIEFLY DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL STUDY?

A. As I stated, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves the determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data, which assist in defining the various relationships that underlie the equity cost estimation process.

As I have testified, Golden Shores is not publicly traded so the information required to directly estimate Golden Shores' cost of equity is not available. Accordingly, I used a sample of publicly traded water utilities to provide means of developing an appropriate cost of equity for Golden Shores, recognizing that there are significant differences between the publicly traded firms and Golden Shores in terms of risk. There are six water utilities included in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. All these companies are followed by the *Value Line Investment Survey*.

Q. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY SAMPLE CAPTURE ALL OF THE MARKET RISKS GOLDEN SHORES MIGHT FACE IF IT WERE PUBLICLY TRADED?

A. In my opinion, no. First, there is no comparable market data for utility companies the size of Golden Shores. The smallest company in the sample, Connecticut Water, has 100 times the net plant investment of Golden Shores, and over 260 times Golden Shores' revenues. Second, market data for the sample water utilities do not include data for water utilities operating primarily in Arizona and thus

primarily subject to Arizona rate regulation. Arizona rate regulation requires use of historical test years and limited out of period adjustments. Further, Golden Shores faces the risk that unexpected changes in costs in the period in which new rates will be in effect will not be recovered without a costly and lengthy general rate case.

The water sample is heavily weighted with utilities doing business in California. American States, California Water, and SJW Corp. are based in California and receive the bulk of revenues from utility service in that state. These utilities are face less regulatory risk because the California Public Utilities Commission ("PUC") allows the use of future test years and balancing accounts for expenses such as purchased power and purchased water. Aqua America, the largest water utility in the group, has operations in more than 14 states. As a result, its systems are regulated by different state commissions and are less affected by unfavorable decisions and policies of a particular regulatory commission.

Q. CAN YOU PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE?

A. Certainly. Schedule D-4.1 lists the operating revenues and net plant for the six water utilities as reported by *AUS Utility Reports* (formerly *C.A. Turner Utility Reports*) and Golden Shores. In addition, below is a general description of each of the companies:

(1) American States primarily serves the California market though Southern California Water Company, which has over 265,000 California customers in 75 communities, primarily in Los Angeles, San Bernardino and Oranges counties. It has one subsidiary serving the Arizona market with approximately 13,000 customers in Fountain Hills and Scottsdale. Approximately 91 percent of American States revenues were derived from Southern California Water.

Revenues for American States were over $236 million in 2005 and net plant was over $673 million at the end of 2005.

(2) Aqua America owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Maine, Missouri, New York, and South Carolina, serving over 864,000 customers at the end of 2005. Revenues for Aqua America were over $496 million in 2005 and net plant was over $2.279 billion at the end of 2005. Aqua America is the largest U.S. based publicly traded water utility.

(3) California Water Service Group owns subsidiaries in California, New Mexico, Washington, and Hawaii serving over 479,000 customers. The California operations account for over 96 percent of operating revenues. Revenues for California Water were over $320 million in 2005 and net plant was over $862 million at the end of 2005.

(4) Connecticut Water Services owns subsidiaries in Connecticut and Massachusetts serving over 81,000 customers. Revenues for Connecticut Water Service were over $47 million in 2005 and net plant was over $247 million at the end of 2005.

(5) Middlesex Water owns subsidiaries in New Jersey and Delaware serving over 86,000 customers. It also provides water service under contract to municipalities in central New Jersey with a population of over 267,000. Revenues for Middlesex Water were over $74 million in 2005 and net plant was over $282 million at the end of 2005.

(6) SJW Corp. owns San Jose Water, which provides water service in an 138 square mile area in San Jose, California, and surrounding communities, serving over 220,000 customers. Revenues for SJW Corp were over $180 million in 2005 and net plant was over $455 million at the end of 2005.

Q. WHAT ARE THE RISKS AFFECTING THE FINANCIAL PERFORMANCE OF REGULATED WATER UTILITIES?

A. Major risk factors affecting the financial performance of water utilities include: extensive regulation, decisions by state regulatory commissions, timeliness and adequacy of rate relief, changes in laws and regulation, increased costs not recoverable from rate payers, increased operating costs affected by environmental regulations, lack of control over water supply, inability to finance capital expenditures, need for substantial capital investment, the size of capital expenditures compared to revenues, terrorism, interest rate risk on new financings, and, of course, the impact of weather and drought conditions on water sales demand.

Q. HOW DOES GOLDEN SHORES COMPARE TO THE SAMPLE WATER UTILITIES?

A. It is much smaller. At the end of the Test Year, Golden Shores had approximately 1,500 water utility customers. Its revenues totaled less than $600,000, and its original cost rate base was approximately $700,000. And Golden Shores is not diversified. It has a relatively small service territory in Mohave County with low growth potential compared to the sample companies, and no alternative sources of revenue. The magnitude of the business and operational risks faced by Golden Shores is much higher than the risks faced by the publicly traded water utilities.

Q. DOES GOLDEN SHORES PAY DIVIDENDS AS DO THE PUBLICLY TRADED WATER COMPANIES?

A. No. Historically, the Company could not have afforded to pay dividends. And since the stock of Golden Shores is not publicly traded, it is not a liquid investment. This fact alone create additional risk because the investor may be saddled for an extended period with a poorly-performing investment. An equity

investment in a very small business like Golden Shores is much different from an equity investment in a publicly traded firm, and investors would expect to earn a significantly higher return on their investment as a result.

Q. WOULD INVESTORS PRICE THESE RISKS IF GOLDEN SHORES WERE PUBLICLY TRADED?

A. Yes. And I would expect market metrics for Golden Shores, if it were publicly traded, to be different. I would expect Golden Shores' beta (a measure of market risk), for instance, to be higher than that of the sample water utilities.

Q. BASED ON THE FOREGOING, IS GOLDEN SHORES COMPARABLE TO THE SAMPLE WATER UTILITIES?

A. Certainly, a good argument can be made that Golden Shores is not comparable to the six publicly traded water utilities in the same group. Unfortunately, as I testified, the approaches commonly used to estimate a utility's cost of equity require market data, which is not available for small private businesses like Golden Shores. As a result, much larger, public companies must be used as proxies. This is an important factor to keep in mind, since the criteria established by the Supreme Court in decisions such as *Bluefield Water Works* and *Hope Natural Gas* require the use of comparable companies, i.e., companies that would be viewed by investors as having similar risks.

Q. YOU PREVIOUSLY DISCUSSED FINANCIAL RISK, WHICH IS RELATED TO A FIRM'S CAPITAL STRUCTURE. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO GOLDEN SHORES?

A. Schedule D-4.2 shows that the capital structure of Golden Shores contains 32 percent long-term debt and 68 percent equity, compared with the average of the water utility sample of 48 percent debt and 52 percent equity. Having less debt in

its capital structure implies less financial risk than the water utility sample. However, as I stated, small firms cannot support the same level of debt as large firms.

Q. DO YOU HAVE ANY GENERAL CONCERNS WITH THE DATA AVAILABLE TO MAKE COST OF EQUITY ESTIMATES FOR THE WATER UTILITIES?

A. Yes. Schedule D-4.3 shows that common stock prices have increased significantly during the past five years, and those increases have exceeded the average annual increases in dividends per share, earnings per share and book value per share. *Value Line* (January 2004) suggests part of the reason for this is consolidation in the water utility industry. *Value Line* has advised investors to expect mergers and acquisitions to continue and stock prices from an acquisition to be as much as four times book value.

Irrespective of investor merger and acquisition expectations, stock price growth has exceeded book growth. Schedule D-4.4 shows that common stock prices have had annual average price increases during the past 10 years that have exceeded the average annual increases in dividends per share, earnings per share, and book value per share.

Q. ARE THERE OTHER DATA SHOWING THAT STOCK PRICES FOR THE WATER UTILITY STOCKS HAVE BEEN INCREASING?

A. Yes. For example, the following "total" returns, which take into account both dividend payments and increases in stock price, are reported in *Value Line*:

Company	5 Years	Annual Average
Amer. States	81.8%	16.4%
Aqua America	92.9%	18.6%
Cal. Water	65.6%	13.1%

Company	5 Years	Annual Average
Conn. Water	-6.2%	-1.2%
Middlesex	38.5%	7.7%
SJW Corp.	152.4%	30.5%
Average	70.8%	14.2%

Data from *Value Line* (October 27, 2006). The 5-year historical compound annual return for the water utilities sample companies is 14.3 percent.

Q. WOULD INVESTORS CONSIDER THE TOTAL MARKET RETURNS OF A STOCK?

A. Yes. From the standpoint of an investor, a true market rate of return would take into account *both* anticipated dividends *and* capital gains resulting from future changes in the price of stock.

Q. WHAT IMPLICATIONS DOES THIS HAVE FOR ESTIMATING THE COST OF EQUITY USING THE SAMPLE WATER UTILITIES?

A. If investors have bid up prices for utility stocks in anticipation of a merger or acquisition, the stock prices will reflect the investor's expected premium at acquisition. As I will discuss later, this distorts the results produced by the DCF model and lowers the indicated equity cost.

Alternatively, investors may have bid up the prices for the water utility stocks because they expect increases in earnings and dividends in the future. In other words, investors expect the water utilities to be authorized, and to actually earn, higher returns on equity.

Q. WHAT METHODS AND CAPITAL MARKET DATA ARE USED TO EVALUATE THE COST OF EQUITY CAPITAL?

A. Techniques for estimating the cost of equity generally fall into three groups:

(1) comparable earnings methods,

(2) risk premium methods, and

(3) DCF methods.

The comparable earnings methods used to determine the cost of equity is a direct outgrowth of judicial opinions on the rate of return. The *Bluefield* decision suggests that opportunity cost, as defined in the economic literature, is the appropriate measure of the actual cost of common equity for a regulated utility. This approach involves direct observation of market returns, an assessment of the persistence of those returns, and an evaluation of the risk accepted by that return. The advantage of the comparable earnings approach is that it is easy to calculate and the amount of subjective judgment required is minimal. The basis for comparison is the book value of common equity, which less vulnerable to regulatory influences, in contrast to the market-based DCF model and the capital asset pricing model ("CAPM").

The second group of estimation techniques are risk premium methods, which begin with currently observable market returns, such as yields on government or corporate bonds, and add an incremental amount for the additional risk associated with common equity. The CAPM, for example, is a type of risk premium approach. Although the CAPM method is widely used in academic research, questionable assumptions that underlie the model have detracted from its practical application. Other risk premium methods, such as the bond-yield plus risk premium method, are less subjective than the CAPM and are easier to implement. The risk premium method does not require estimates of beta or market risk premiums, for example, or depend on what interest rate is chosen as the proxy for the risk free rate.

Q. CAN YOU ELABORATE ON THE FLAWS IN THE CAPM?

A. Yes. Despite more than 30 years of attempts to empirically validate the CAPM

approach, there is no consensus on its legitimacy. There are a few hints that the model is incorrect. For starters, we all hold different portfolios. Therefore, it cannot be exactly true. Researchers have focused on the more interesting issue of whether rates of return depend upon beta (ß) and whether the elegant, linear form of the model holds for all types of stocks. What they have found is that real markets typically deviate broadly from the original version of the CAPM, which is sometimes called the Sharpe-Linter model. Some of the most forceful arguments against the CAPM are presented in a recent article written by Dr. Eugene Fama and Dr. Kenneth French.[1] Reviewing various empirical studies of the CAPM, these authors found that beta does a relatively poor job of explaining differences in the actual returns of portfolios of U.S. stocks. They concluded that there are variables besides beta (ß) explain portfolio returns better, suggesting the CAPM, while theoretically interesting, is incomplete and has little practical application.

Q. PLEASE CONTINUE.

The final commonly used technique, the DCF method, is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are more difficult to obtain. DCF constant growth models require very long-term growth estimates, and it can be argued that more explicit multi-stage models are preferred. The DCF model results are generally more consistent with actual capital market behavior. However, as I have stated, the DCF model does require judgment in selecting appropriate growth rates.

In the final analysis, cost of equity estimates are subjective and should be based on sound, informed judgment. I have applied several versions of the DCF

[1] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

and risk premium methods that I believe brackets the fair cost of equity capital for the large publicly traded water companies without taking into account the additional risks Golden Shores possesses.

Q. PLEASE EXPLAIN THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

(1) $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + CF_n/(1+k)^n$

where k is the cost of equity; n is a very large number; P_0 is the current stock price; and, CF_1, CF_2,...CF_n are all the expected future cash flows expected to be received in periods 1, 2, ...n.

Equation (1) can be written to show that the current price (P_0) is also equal to

(2) $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + ... + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today in anticipation of receiving that premium would increase. In other words, by estimating the cash flows from the purchase of a stock by considering future dividends and expected capital gains, we can calculate the investors' required rate of return, i.e., the rate of return investors presumptively used in bidding the current price to the stock (P_0) to its current level.

This is a Market Price version of the DCF model. As with the general form of the DCF model in equation (1), in the Market Price approach the current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share, expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

I have provided a Market Price DCF model in Exhibit 1 to illustrate the Market Price DCF model approach further. The model computes the implied rate of return from a stream of cash flows. The first cash flow is negative and is the purchase price of the stock. I used the spot price at March 28, 2006, as reported by *Zack's Investment Research* as the initial purchase price. The next series of cash flows are the expected dividends for the next four years. The final cash flow is the dividend in year 5 plus the expected selling price of the stock. The selling price of the stock is based on the historical 5-year average annual price growth for each of

the stocks. The average implied rate of return is 15.3 percent.

Q. HOW DOES THE RESULT OF YOUR MARKET PRICE DCF COMPARE TO THE HISTORICAL COMPOUND ANNUAL MARKET RETURNS FOR THE WATER UTILITY SAMPLE?

A. As shown in Exhibit 2, the average 5-year historical compound annual total market return for the water utility sample is 20.3 percent. The 5-year market Price DCF result is lower that the 5 year historical total market returns. The 5-year market price DCF using historical 10 year average annual price growth is closer at 18.3 percent. Despite the fact that the historical 5-year average total market returns as well as the market price DCF indicate returns in the range of 15 to 20 percent, I do not rely on this method. I have instead used it to evaluate the reasonableness of the results produced by the other versions of the DCF model I have used.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flows are expected to grow at a constant rate ("g"), equation (1) can be solved for k and rearranged into the simple form:

(3) $k = CF_1/P_0 + g$

where CF_1/P_0 is the expected dividend yield and g is the expected long term dividend (price) growth rate ("g"). The expected dividend yield is computed as the ratio of next period's expected dividend ("CF_1") divided by the current stock price ("P_0"). This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. This has not been historically true for the water utility

sample as evidenced by the data shown in schedules D-4.3 and D-4.4. As a result, estimates of long-term growth rates (g) should take this into account.

Q. HOW IS THE FORMULA FOR THE MULTI-STAGE DCF MODEL DERIVED?

Under the multi-stage growth DCF model, equation (1) is expanded to incorporate two or more growth rate periods and is written as:

(4) $P_0 = CF_0(1+g_1)/(1+k) + \ldots + CF_0(1+g_2)^n/(1+k)^n + CF_0(1+g_t)^{(t+1)}/k-g_t)$

where g_1, g_2, etc., represent growth rates for periods 1, 2, etc., and g_t represents the growth rate from period t to infinity. This version of the DCF model assumes that cash flow growth will occur at different rates for one or more periods and ultimately reach a terminal growth stage that continues indefinitely.

Q. LET'S TURN TO SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A. I used the spot price for each of stocks of the water utilities in the sample group on December 21, 2006 as reported by *Zacks Investment Research*. The dividend is the expected 2007 dividend.

Q. EARLIER YOU TESTIFIED THAT STOCK PRICES HAVE BEEN INCREASING DUE TO POTENTIAL MERGERS AND ACQUISITIONS, HOW DOES THIS IMPACT THE DIVIDEND YIELD?

A. The DCF model results will be negatively biased because the dividend yield (CF_1/P_0) is reduced by virtue of having a larger denominator, the stock price (P_0). This impact is not by itself problematic, since the DCF model is intended to take into account changes in the stock price (upward or downward). Investors may have bid up the price of the stocks of the water utilities in the sample group because they expect increased growth in earnings and, as a result, increased dividend growth and

appreciation in the price of the stock. However, if stock prices have been bid up in anticipation of a merger or an acquisition, then the DCF model estimate will not reflect true market conditions and understate the cost of equity.

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. I have used earnings growth forecasts, where available, from three different, widely-followed sources: *Zack's Investment Research, Standard & Poor Earnings Guide*, and *Value Line Investment Survey*. Schedule D-4.6 reflects estimates of earnings growth.

I have also used forecasts of book returns, retention ratios, and growth in the number of common shares from *Value Line* to determine sustainable growth estimates, which I describe in more detail below. Schedules D-4.7 and D-4.8 show my calculations of sustainable growth.

For the multi-stage DCF, I employed a two-stage model with short-term and long-term growth rates. Staff normally uses two growth stages in its multi-stage DCF model, so I used that approach as well. I used analysts' forecasts of EPS growth for the near term and average long-term GDP growth for the long-term.

Q. DID YOU USE THE ARITHMETIC MEAN OR THE GEOMETRIC MEAN FOR GDP GROWTH?

A. The arithmetic mean. It is well established that if the cost of capital is estimated from historical data, an arithmetic average should be used.[2]

Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR MODELS?

A. The DCF model requires estimates of growth that investors expect in the future. Accordingly, I used analysts' forecasts of growth. Logically, in estimating future

[2] Ibbotson Associates, *SBBI Valuation Edition 2005 Yearbook* 75-77; Richard A. Brealey and Stewart C. Myers, *Principles of Corporation Finance* (7th ed. 2003) 156-157.

growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[3] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q. HAVE YOU COMPARED THE ANALYST ESTIMATES OF GROWTH WITH HISTORICAL DATA?

A. Yes. As shown in Exhibit 3, the average 5-year historical average annual capital (price) appreciation is 10.65 percent. The average 10-year historical average annual capital (price) appreciation is 15.83 percent. This is significantly higher than the average analyst estimates of growth of 8.56 percent. While historical returns do not necessarily reflect what will occur in the future, the analysts' estimates of EPS growth are less than the historical capital appreciation. Thus, I believe using the analyst estimates of EPS growth for the growth rate in the DCF model is conservative.

Q. WHY HAVE YOU NOT USED FORECASTS OF DIVIDEND GROWTH?

A. For three reasons. First, the average annual forecast of dividend growth is extremely low. When forecasted dividend growth is used in the DCF model, it produces indicated costs of equity below the cost of debt. Second, only one of the three services (Value Line, Standard and Poor's, and Zacks) provides an estimate of DPS growth. I prefer to use estimates from more than one source so that any

[3] See David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55.

overly optimistic estimates are offset by overly pessimistic estimates. Third, the predominance and availability of EPS estimates rather than DPS estimates are indicative that investors place more importance to earnings rather than dividends.

Q. HAVE YOU PREPARED CONSTANT GROWTH DCF MODELS USING ANALYST ESTIMATES OF DPS GROWTH?

A. Yes. Exhibit 4, attached hereto, reflect constant growth DCF results using analyst estimates of DPS growth. The result is 7.3 percent. The result higher than current yield on Moody's Baa investment grade bond of 6.2 percent and slightly higher than forecasted Moody's Baa investment grade bonds for 2007-2008 of 6.9 percent. However, further inspection reveals that two of the three sample companies have indicated costs of equity below the current cost of debt, with one as low as 3.9 percent. These results are clearly unrealistic, which lead me to conclude the average analyst DPS growth rate should not be used.

Q. HAVE YOU PREPARED CONSTANT GROWTH DCF MODELS USING HISTORICAL DPS AND EPS GROWTH RATES?

A. Yes. Exhibits 5 and 6, attached hereto, reflect constant growth DCF results using five-year historical annual growth rates for DPS and EPS. The DCF results using five-year historical average annual DPS growth rate is 5.7 percent. This is less than the current yield Moody's Baa investment grade bonds at 6.2 percent.

The DCF results using five-year historical average annual EPS growth rate is 10.8 percent. This result excludes the estimate for Connecticut Water because of a negative growth rate. A negative growth rate is just as unrealistic as a growth rate which produces an indicated cost of equity below the cost of debt. The indicated cost of equity for American States Water, while not excluded, is at or near the projected cost of Baa bonds. Even though I do not rely on this result, it is consistent with my DCF results using analyst estimates of EPS growth.

Q. WHY HAVEN'T YOU AVERAGED THESE RESULTS WITH THE RESULTS OF YOUR DCF USING ANALYST EXPECTATIONS OF EPS GROWTH?

A. As I have shown, using the analyst expectations of DPS growth or the historical DPS growth results in returns which are unrealistic. Thus, averaging these results with the results using analyst estimates of EPS growth only serves to depress the indicated cost of equity. Investors would not bid up the price of a utility stock if the expected return is approximately the equal to or less than returns on bonds or other debt investments. As the CML depicted previously illustrates, common stocks are higher and to the right of investment grade bonds on the CML continuum because they are exposed to more risk. The DCF model is a forward looking model and the results using historical DPS are not unreasonable.

While the DCF result the five year historical average EPS growth rate is consistent with my results, I have not included it in my estimate of growth because, as I stated earlier, forward-looking rates should be used.

Q. YOU MENTIONED SUSTAINABLE GROWTH EARLIER. PLEASE EXPLAIN WHAT SUSTAINABLE GROWTH IS?

A. Sustainable growth is derived by combining the expected growth from future retained earnings and expected future growth from sales of common stock. The growth rate (g) becomes:

(5) $g = br + sv$

where b is the expected retention ratio; r is the expected return on common equity; s is the funds raised from the sale of stock as a fraction of existing common equity; and v is the fraction of funds raised from the sale of stock that accrues to shareholders.[4]

[4] See Gordon Myron J., *The Cost of Capital to a Public Utility* (Michigan, 1974).

Q. HOW DID YOU ESTIMATE "br" GROWTH?

A. I used projected rates of return, dividends per share, and earnings per share found in *Value* Line to estimate "br" growth.

Q. HOW DID YOU ESTIMATE "sv" GROWTH?

A. I used *Value Line*'s projections of new issues of common stock to estimate "s" and reported books values and the spot price to estimate "v". All of the water utility stocks used in my sample are currently selling at prices above book value and thus have "sv" growth.

Q. HOW DO YOUR ESTIMATES FOR SUSTAINABLE GROWTH COMPARE TO THE HISTORICAL COMPOUND ANNUAL CAPITAL APPRECIATION RETURN?

A. The average sustainable growth for the utility sample as shown in schedule D-4.7 is 8.41 percent and is lower than the average 5-year and 10-year historical compound annual capital appreciation return of 10.65 percent and 15.83 percent, respectively.

Q. LET'S MOVE ON TO YOUR OTHER EQUITY COST ESTIMATION METHOD, MR. BOURASSA. PLEASE EXPLAIN YOUR RISK PREMIUM METHODOLOGY.

A. Risk premium methods are based on the assumption that equity securities are riskier than debt. Since equity securities are riskier, investors require a higher rate of return. The risk premium between equity securities and debt can be directly estimated by comparing authorized and actual returns on equity with the current yields of investment grade bonds or other debt instruments:

> The risk premium method of determining the cost of equity, sometimes referred to as the "stock-bond-yield spread method" or the "risk positioning method," or again the "bond-yield plus risk-premium" method, recognizes that common equity capital is more risky than debt from an investor's standpoint, and that investors require higher returns on stocks than on bonds to compensate for the additional risk. The

> general approach is relatively straightforward: First, determine the historical spread between the return on debt and the return on equity. Second, add this spread to the current debt yield to derive an estimate of current equity return requirements.
>
> The risk premium approach to estimating the cost of equity derives its usefulness from the simple fact that while equity return requirements cannot be readily quantified at any given time, the returns on bonds can be assessed precisely at every instant in time. If the magnitude of the risk premium between stocks and bonds is known, then this information can be used to produce the cost of common equity. This can be accomplished retrospectively using historical risk premiums or prospectively using expected risk premiums.

Roger A. Morin, *Regulatory Finance: Utilities' Cost of Capital* (1994) 269. As I have testified, there is no need to estimate betas or market risk premiums, as required in implementing the CAPM. It is a simpler and less subjective approach.

Q. PLEASE EXPLAIN YOUR BOND-YIELD PLUS RISK PREMIUM APPROACH.

A. I have computed the average risk premium for the actual and authorized returns from 1996 to 2005 (10 years) when compared to the 10-year Treasury rate for the six water utilities in the sample group. I then add the average risk premium to the forecasted interest rates for 10-year Treasuries for 2008-2009.

Q. WHY DO YOU USE PROJECTED INTEREST RATES FOR 2008-2009?

A. I have used this period because it is the period in which Golden Shores' rates will be in effect.

Q. WHY NOT USE CURRENT RATES FOR TREASURY SECURITIES?

A. The goal is to determine the cost of capital for Golden Shores when new rates are in effect, not the cost of capital 12 months before new rates are approved. Current interest rates are sometimes higher and sometimes lower than rates during future periods.

Q. ARE RISK PREMIUM ESTIMATES OF THE COST OF EQUITY CONSISTENT WITH OTHER CURRENT CAPITAL MARKET COSTS?

A. Yes. The risk premium approach is founded on directly observable, market interest rates. This assures that the premium estimates of the cost of equity begin with a sound basis, and are tied to current capital market costs.

Q. HAVE YOU PREPARED A DIFFERENT MARKET RISK PREMIUM ANALYSIS THAT IS ENTIRELY MARKET BASED?

A. Yes. Preliminarily I would like to state that I believe my risk premium analysis to be valid. Putting this aside, I have prepared a bond risk premium analysis which is entirely market based. It is shown in Exhibit 7.

The average bond risk premium over the most recent 5 year period is 12.21 percent. The current yield on a long-term U.S. Treasury Bond is 4.8 percent, suggesting a current indicated COE of 17.0 percent. The Blue Chip forecasted yield for long-term U.S. Treasury Bonds is 5.35 percent, suggesting a current indicated COE of 17.5 percent. The 10 and 15 year average risk premiums are far greater at 14.99 percent and 14.11 percent, and using either current or forecasted interest rates, the indicated COEs well are above 18 percent.

Q. PLEASE EXPLAIN YOUR EQUITY RISK PREMIUM ANALYSIS?

A. As a proxy for a risk premium applicable to my water utility sample, a historical risk premium for the sample is estimated with an annual time series analysis as applied to my water utility sample companies. The risk premium is estimated by computing the annual return on equity capital for the composite of the water utility sample companies for each year using the actual stock prices and dividends of the water utility sample companies, and then subtracting the long-term government bond for that year. The composite of the water utility sample companies is a value-weighted index, which means that each company in the index receives a weight

proportional to the market value of its equity. Value-weighted indexes have the useful property of tracking the performance of buy-and-hold investments in the underlying stocks. The *S&P 500*, for example, is a value-weighted index.

Q. WHAT IS SUGGESTED BY YOUR BOND RISK PREMIUM ANALYSIS?

A. It suggests that the true cost of capital may be much higher than the results of my DCF and risk premium analyses indicate. It also confirms my conclusion that an 11 percent ROE is extremely conservative.

D. Details of Cost of Equity Estimates

Q. PLEASE DISCUSS YOUR ANALYSIS OF THE COST OF EQUITY FOR GOLDEN SHORES.

A. In the first part of my analysis, I applied two versions of the constant growth DCF and a two-stage DCF model using data for the six water utilities in the sample group. The DCF analyses appear on Schedules D-4.9, D-4.10, and D-4.11. The DCF models produce an indicated equity cost in the range of 9.1 percent to 12.8 percent.

In the second part of my analysis, I developed and reviewed cost of equity estimates based on the bond-yield plus risk premium method. The risk premium analysis based on actual and authorized returns on equity indicates an equity cost in the range of 10.2 percent to 11.1 percent.

In the third part of my analysis, I compared the actual and authorized returns reported in *AUS Utility Reports* to the results of my DCF and risk premium methods. The range of actual returns is from 4.0 percent to 11.7 percent. The range of authorized returns is from 9.9 percent to 12.7 percent.

Finally, I also considered *Value Line*'s most current forecasts of the composite equity return for the water utility industry. *Value Line* forecasts a composite return of 9.5 percent for 2006, 10.5 percent for 2007, and 11.5 percent

for the 2009-11 period.

Based on the DCF and risk premium results, and taking into account current market, industry, and other factors, I believe a return on equity of 11.0 percent is appropriate. Golden Shores has a higher cost of equity than the water utility sample group due to its small size, leverage and other characteristics. Thus, an equity return of 11.0 percent is conservative for Golden Shores.

Q. PLEASE DISCUSS YOUR CONSTANT GROWTH DCF MODELS.

A. I computed the cost of equity using two constant growth models. The first, shown on Schedule D-4.9, uses analyst's forecasts of earning per share growth. The average of the results is 11.3 percent.

The second constant growth DCF model, shown on Schedule D-4.10, uses my computations of sustainable growth ("br + sv"). To compute sustainable growth I used analysts forecasts of the retention ratio and return of common equity to estimate "br" growth. I also used analysts' forecast of the growth in the number of common shares and the current market to book ratio to estimate "vs" growth. The average of the results is 9.8 percent.

Q. PLEASE DISCUSS YOUR MULTISTAGE DCF MODEL.

A. I use a two-stage growth DCF model. The average of the analysts' expected growth is used for the near-term and GDP growth for the long-term. Short-term growth is given a weight of .67. The average result of the two-stage DCF model, shown on Schedule D-4.10, is 10.7 percent.

Q. PLEASE DISCUSS YOUR RISK PREMIUM ANALYSIS?

A. The first risk premium analysis, shown on schedule D-4.11, computes the average risk premium on the actual returns for the six water companies from 1996 to 2005 (10 years) when compared to the 10-year Treasury rates. The average risk premium is then added to the forecasted interest rates for 10-year Treasuries for

2008-2009. The result of the first risk premium analysis is 10.1 percent to 10.2 percent.

The second risk premium analysis, shown on Schedule D-4.12, computes the average risk premium on the authorized returns for the six water companies from 1996 to 2005 (10 years) when compared to the 10-year Treasury rate. The average risk premium is then added to the forecasted interest rates for 10-year Treasuries for 2008-2009. The result of second risk premium analysis is 10.8 percent to 11.3 percent.

Q. WHAT ARE THE ACTUAL AND AUTHORIZED RETURNS FOR THE SAMPLE WATER UTILITIES?

A. Schedule D-4-14 shows the actual and authorized returns for the six water utilities. The average of the actual returns is 9.4 percent. Upon further inspection, the data reveals that Connecticut Water has an actual return of 4.0 percent - clearly very low and unrealistic result for setting a rate of return. If the return for Connecticut Water is excluded, the average result is 10.1 percent. The average of the authorized returns is 10.4 percent.

Q. PLEASE SUMMARIZE YOUR RESULTS.

A. The following table summarizes the results of the models I have used, and provides the comparable earnings data I used as I check on my estimates:

DCF Analysis	Range	Midpoint
Constant Growth (earnings growth)	9.9% - 12.8%	11.4%
Constant Growth (sustainable growth)	8.7% - 10.8%	9.8%
Two-Stage Growth Model	9.6% - 11.7%	10.7%
Risk Premium Analysis		
Actual Returns	10.1% - 10.2%	10.2%
Authorized Returns	10.8% - 11.3%	11.1%

DCF Analysis	Range	Midpoint
Comparable Earnings		
Actual Returns	4.0% - 11.7%	7.9%
Authorized Returns	9.9% - 12.7%	11.3%
Value Line Industry Composite (2006)		9.5%
Value Line Industry Composite (2007)		10.5%
Value Line Industry Composite (2008-11)		11.5%

At 11.0 percent, my recommended cost of equity is in upper middle end of range of estimates produced by the DCF and risk premium models, but nevertheless within the ranges of both sets of estimates. My recommendation represents a reasonable balance between the economic forecasts of interest rates during the period in which rates will be in effect, the reduced equity costs obtained from low dividend yields using the DCF model, and my judgment about Golden Shores' additional risks not captured by the market based models.

VII. RATE DESIGN ("H" SCHEDULES).

Q. WHAT ARE THE COMPANY'S PRESENT RATES?

Golden Shores' present rates are:

A.

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 16.05	0
3/4	$ 25.00	0
1	$ 50.00	0
1 1 /2	$ 150.00	0
2	$ 250.00	0
3	$ 350.00	0

4	$ 400.00	0
6	$ 900.00	0

The commodity charge for all meter sizes is $1.31 per 1,000 gallons above the gallons included in the minimum.

The construction meter and standpipe rate is $2.25 per 1,000 gallons with no minimum monthly charge.

Q. WHAT ARE THE COMPANY'S PROPOSED RATES?

A. Golden Shores' proposed rates for customers by water meter size are:

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 18.80	0
3/4	$ 29.29	0
1	$ 58.58	0
1 1/2	$ 175.73	0
2	$ 292.88	0
3	$ 410.03	0
4	N/A	
6	$1,054.35	0

The commodity charges and tiers by meter size are:

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8 and ¾ Inch	1 to 4,000	$ 1.53
	4,001 to 10,000	$ 2.03
	Over 10,000	$ 2.53
1 Inch	1 to 25,000	$ 2.03
	Over 25,000	$ 2.53

1-1/2 Inch	1 to 50,000	$ 2.03
	Over 50,000	$ 2.53
2 Inch and larger	1 to 100,000	$ 2.03
	Over 100,000	$ 2.53

The proposed construction meter and standpipe rate is $2.53 per 1,000 gallons, with no minimum monthly charge.

Q. DID YOU PREPARE A COST OF SERVICE STUDY TO DERIVE THE MONTHLY MINIMUMS AND COMMODITY RATES?

A. No. The monthly minimums are based on the rates from the prior rate case increased by the same percentage for all meter sizes. The percentage increase applied to the monthly minimums is less than that applied to the commodity rates. In the prior rate case the monthly minimums were scaled based on the flows from a 5/8 inch meter.

Q. WOULD A COST OF SERVICE STUDY DETERMINE THE COMMODITY RATES, IF THE COMMODITY RATES ARE INVERTED, THAT IS THE CHARGE PER 1,000 GALLONS INCREASES AS MORE WATER IS USED?

A. No. A cost of service study will determine the revenues that should be collected from monthly minimum charges and the revenues that should be collected from the rates charged for the commodity. Inverted rates for the commodity charge are not justified through a cost of service study. Inverted rates are really intended to encourage conservation. They are not consistent with the cost of providing service to larger customers.

Q. HAVE YOU INVERTED THE COMMODITY RATES?

A. Yes.

Q. ARE THE TIERS FOR THE COMMODITY RATES THE SAME FOR EACH SIZE METER? IF NOT, WOULD YOU PLEASE EXPLAIN WHY THE TIERS ARE DIFFERENT?

A. The commodity rate tiers are different for 5/8 inch and ¾ inch, 1 inch and 2 inch and larger meters. The 5/8 inch and ¾ inch metered customers have a three tire commodity rate design. For the 1 inch and larger meters, a two tier rate design is proposed.

The monthly minimum charges are higher for meters larger than 5/8 inch. The monthly minimums are supposed to reflect the demand that customers with larger meters place on the system. A customer on a meter size larger than 5/8 inch is already paying for his or her higher demand. Thus, the commodity rate tiers should reflect the higher monthly minimums already being paid. To achieve the balance for higher monthly minimums, customers on larger sized meters should have more gallons in each rate tier.

Q. WHAT ARE THE TIERS FOR EACH METER SIZE, AND HOW ARE THEY COMPUTED?

A. The first commodity rate tier is computed on monthly average usage for the 5/8 inch meter size. The monthly average for 5/8 inch meter is 7,555 gallons. I set the first tier for the 5/8 inch and ¾ inch meters at 4,000 gallons, which is below the average residential average usage for the 5/8 inch metered customers. I set the second tier for the 5/8 inch meter at 10,000 gallons, which is two and one half times the first tier.

The first tier for a 1 inch meter is 25,000 gallons. A one inch meter flows two and one half times that of a 5/8 inch meter. The first tier for a 1-1/2 inch meter is 50,000 gallons. A 1-1/2 inch meter flows five times that of a 5/8 inch

meter. The first tier for a 2 inch meter is 100,000 gallons. A two inch meter flows eight times that of a 5/8 inch meter.

Q. WHAT IS THE IMPORTANCE OF THE COMMODITY RATES, AND HOW DID YOU COMPUTE THEM?

A. The first goal of any rate design should be to generate the revenue requirement. For conservation rate designs, like the inverted tier design, revenue stability is a key aspect. Thus, commodity rates are very important. The second goal of the commodity rates should be that they are understandable by customers. The third goal of the commodity rates is to give customers a price signal to encourage water conservation.

The first commodity tier rate is the most important, as all customers will be charged this rate. Here, I set the commodity rate at $1.53, or approximately 16.79 percent higher than the existing commodity rate of $1.31. For the commodity tier two, I increased the first tier charge per 1,000 gallons by $0.50 to $2.03, or approximately 54.96 percent over the existing $1.31 commodity rate. For the commodity tier three, I increased the second tier charge per 1,000 gallons by $0.50 to $2.53, or approximately 93.13 percent over the existing $1.31 commodity rate.

Q. WHAT IS THE RATE IMPACT ON 5/8 INCH METERED CUSTOMERS USING THE MONTHLY AVERAGE WATER USAGE?

A. Customers on 5/8 meters who consume the average quantity of water (7,555 gallons per month) will experience a rate increase of $6.19 per month, or an increase of approximately 23.85 percent.

Q. IS THE COMPANY REQUESTING ANY OTHER CHANGES IN ITS RATES AND TARIFFS?

A. The Company is requesting changes to the meter and service line installation

charges to reflect current costs. These changes are set forth in Schedule H-3, page 3.

Q. ARE THERE ANY PROPOSED CHANGES TO THE COMPANY'S MISCELLANEOUS SERVICE CHARGES?

A. No.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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EXHIBITS

Golden Shores Water Company Exhibit 1

Discounted Cash Flow Analysis (Water) Witness: Bourassa
Market Price

Line No.		Company	(1)	(2) 2006 Div	(3) 5 Year Historical Average Div. Growth	(4) Recent Price	(5) 5 Year Historical Average Price Growth	(6) Year 5 Price	(7) EXPECTED CASH FLOWS Recent Price	(8) Year 1 Div	(9) Year 2 Div	(10) Year 3 Div	(11) Year 4 Div	(12) Year 5 Div + Price	(13) **Implied ROE** = Internal Rate of Return (Cols 7-12)
1															
2															
3															
4															
5															
6															
7	1.	American States		$ 0.92	1.06%	$ 38.01	7.30%	$ 54.07	$ (38.01)	$ 0.92	$ 0.93	$ 0.94	$ 0.95	$ 61.67	11.9%
8	2.	Aqua America		0.46	6.18%	22.98	16.33%	48.96	(22.98)	0.46	0.49	0.52	0.55	53.92	20.0%
9	3.	California Water		1.16	0.92%	39.90	10.42%	65.49	(39.90)	1.16	1.23	1.31	1.39	79.37	16.8%
10	4.	Connecticut Water		0.87	1.27%	22.89	5.39%	29.76	(22.89)	0.87	0.92	0.98	1.04	41.22	15.3%
11	5.	Middlesex		0.69	2.18%	18.74	4.31%	23.14	(18.74)	0.69	0.73	0.78	0.83	33.05	14.8%
12	6.	SJW Corp.		0.59	3.95%	34.63	7.17%	48.95	(34.63)	0.59	0.63	0.67	0.71	58.13	12.2%
13															
14															
15		GROUP AVERAGE			2.59%		8.49%								15.2%
16		GROUP MEDIAN			1.72%		7.23%								15.0%
17															
18															
19															
20	Sources:														
21		Value Line Data October 28, 2006													
22		Yahoo Finance - Stock Price 12/22/2006													
23															

Golden Shores Water Company
Historical Compound Annual Total Market Returns

Exhibit 2

Witness: Bourassa

	Company	3 Yr.** Return	5 Yr.** Return	10 Yr.*** Return
1.	American States	17.05%	11.14%	21.33%
2.	Aqua America	34.55%	22.63%	28.45%
3.	California Water	24.57%	15.70%	16.58%
4.	Connecticut Water	5.40%	11.04%	14.91%
5.	Middlesex	9.89%	9.01%	15.01%
6.	SJW Corp.	26.37%	11.34%	19.86%
	Average	19.64%	13.48%	19.36%

* 2003-2005
** 2001-2005
*** 1996-2005

Sources:
Value Line Data
Yahoo Finance

Golden Shores Water Company
Historical Compound Annual Capital Appreciation Returns

Exhibit 3

Witness: Bourassa

	Company	3 Yr.* Return	5 Yr.** Return	10 Yr.*** Return
1.	American States	13.90%	8.19%	13.25%
2.	Aqua America	32.99%	21.12%	27.11%
3.	California Water	21.10%	12.54%	13.65%
4.	Connecticut Water	2.09%	7.61%	11.68%
5.	Middlesex	6.11%	5.32%	11.55%
6.	SJW Corp.	23.91%	9.11%	17.76%
	Average	16.68%	10.65%	15.83%

* 2003-2005
** 2001-2005
*** 1996-2005

Sources:
Value Line Data
Yahoo Finance

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
Using Analyst Estimates of DPS Growth

Exhibit 4

Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D_1)	(3) Dividend Yield	(4) Div. Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)
7	1.	American States	38.01	0.92	2.42%	1.50%	3.9%
8	2.	Aqua America	22.98	0.50	2.18%	11.50%	13.7%
9	3.	California Water	39.90	1.16	2.91%	1.50%	4.4%
10	4.	Connecticut Water	22.89	0.86	3.76%	Not Available	
11	5.	Middlesex	18.74	0.68	3.65%	Not Available	
12	6.	SJW Corp.	34.63	0.55	1.59%	Not Available	
13							
14							
15		GROUP AVERAGE					7.3%
16		GROUP MEDIAN					4.4%
17							
18		Current Baa interest rate					6.2%
19							
20		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					6.9%
21		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.4%
22		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%
23							
24							
25	Sources:						
26		Value Line Data December 22, 2006					
27		Zacks Investment Research December 22, 2006					
28		Yahoo Finance Stock Price December 22, 2006					
29		Federal Reserve December 21, 2006					
30		Blue Chip Financial Forecast December 2006					

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Historical
Using 5 Year Historical Dividend Growth

Exhibit 5

Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Historical Div. Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)
1	1.	American States	38.01	0.92	2.42%	0.92%	3.3%
2	2.	Aqua America	22.98	0.50	2.18%	7.40%	9.6%
3	3.	California Water	39.90	1.16	2.91%	0.72%	3.6%
4	4.	Connecticut Water	22.89	0.86	3.76%	1.49%	5.2%
5	5.	Middlesex	18.74	0.68	3.65%	1.90%	5.5%
6	6.	SJW Corp.	34.63	0.55	1.59%	5.27%	6.9%
7							
8		GROUP AVERAGE					5.7%
9		GROUP MEDIAN					5.4%
10							
11		Current Baa interest rate					6.2%
12							
13		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					6.9%
14		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.4%
15		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%

Sources:
Value Line Data December 22, 2006
Zacks Investment Research December 22, 2006
Yahoo Finance Stock Price December 22, 2006
Federal Reserve December 21, 2006
Blue Chip Financial Forecast December 2006

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Historical
Using 5 Year Historical EPS Growth

Exhibit 6

Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Historical EPS Growth	(5) Indicated Equity Cost k=Div Yld + G (Cols 1+4)
7	1.	American States	38.01	0.92	2.42%	4.84%	7.3%
8	2.	Aqua America	22.98	0.50	2.18%	8.63%	10.8%
9	3.	California Water	39.90	1.16	2.91%	4.58%	7.5%
10	4.	Connecticut Water	22.89	0.86	3.76%	-3.56%	Negative Growth
11	5.	Middlesex	18.74	0.68	3.65%	8.10%	11.8%
12	6.	SJW Corp.	34.63	0.55	1.59%	14.97%	16.6%
15		GROUP AVERAGE				6.9%	10.8%
16		GROUP MEDIAN				6.5%	10.8%
18		Current Baa interest rate					6.2%
20		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Top 10					6.9%
21		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Bottom 10					6.4%
22		Blue Chip Forecast Baa Corporate Bond Interest Rate 2008-2009 Consensus					6.9%

24 * Indicated equity cost below current cost of debt (Baa) or negative growth.
25 ** Indicated cost of equity at or below projected cost of Baa bonds

28 Sources:
29 Value Line Data December 22, 2006
30 Zacks Investment Research December 22, 2006
31 Yahoo Finance Stock Price December 22, 2006
32 Federal Reserve December 21, 2006
33 Blue Chip Financial Forecast December 2006

Golden Shores Water Company
Water Utility Sample Common Stocks
over Long-Term Treasury Bonds
Annual Long-Term Term Risk Premium Analysis

Exhibit 7

Witness: Bourassa

Line No.	Year	(1) Long-Term Term Gov't Bond Yield	(2) 20 Year Maturity Bond Value	(3) Gain (Loss)	(4) Interest	(5) Bond Total Return	(6) Water Utility Sample Composite Stock Index[1]	(7) Dividend Index[1]	(8) Capital Gain (Loss) % Growth	(9) Yield	(10) Stock Total Return	(11) Equity Risk Premium
1	2005	4.61%	1,029.84	29.84	48.40	7.82%	28.06	0.83	27.36%	3.76%	31.12%	23.30%
2	2004	4.84%	1,034.35	34.35	51.10	8.54%	22.03	0.82	19.12%	4.42%	23.54%	15.00%
3	2003	5.11%	966.42	(33.58)	48.40	1.48%	18.50	0.81	23.27%	5.39%	28.66%	27.18%
4	2002	4.84%	1,115.77	115.77	57.50	17.33%	15.00	0.80	-3.61%	5.16%	1.55%	-15.78%
5	2001	5.75%	979.95	(20.05)	55.80	3.57%	15.57	0.80	9.30%	5.62%	14.92%	11.34%
6	2000	5.58%	1,148.30	148.30	68.20	21.65%	14.24	0.79	4.74%	5.80%	10.53%	-11.12%
7	1999	6.82%	848.41	(151.59)	54.20	-9.74%	13.60	0.78	9.32%	6.29%	15.60%	25.34%
8	1998	5.42%	1,072.71	72.71	60.20	13.29%	12.44	0.77	11.57%	6.90%	18.47%	5.18%
9	1997	6.02%	1,081.92	81.92	67.30	14.92%	11.15	0.76	38.62%	9.47%	48.09%	33.17%
10	1996	6.73%	923.67	(76.33)	60.30	-1.60%	8.04	0.75	23.19%	11.47%	34.67%	36.27%
11	1995	6.03%	1,225.98	225.98	79.90	30.59%	6.53	0.74	17.48%	13.40%	30.88%	0.29%
12	1994	7.99%	856.40	(143.60)	65.40	-7.82%	5.56	0.72	-16.44%	10.83%	-5.61%	2.21%
13	1993	6.54%	1,079.70	79.70	72.60	15.23%	6.65	0.70	18.57%	12.57%	31.13%	15.90%
14	1992	7.26%	1,004.19	4.19	73.00	7.72%	5.61	0.69	24.55%	15.23%	39.78%	32.06%
15	1991	7.30%	1,118.94	118.94	84.40	20.33%	4.50	0.67	14.57%	16.98%	31.55%	11.22%
16	1990	8.44%	1,000.00				3.93	0.65				
17												
18												
19												
20	5 Year Average					7.75%			15.09%	4.87%	19.96%	12.21%
21	10 Year Average					7.73%			16.29%	6.43%	22.72%	14.99%
22	15 Year Average					9.55%			14.77%	8.89%	23.66%	14.11%
23												
24	Forecast Long-Term Treasury (2007-2008)											5.35%
25												
26	20 year Treasury (December 28, 2006)											4.81%
27												
28	Indicated Cost of Equity Using Forecasted Interest Rates											
29	5 Year											17.56%
30	10 Year											20.34%
31	15 Year											19.46%
32												
33	Indicated Cost of Equity Using Current Interest Rates											
34	5 Year											17.02%
35	10 Year											19.80%
36	15 Year											18.92%
37												
38												

39 Sources:
40 Ibbotson Associates Stocks, Bonds, Bills and Inflation 2006 Yearbook Table B-9 Long-Term Government Bond Yields December Each year
41 Blue Chip Financial Forecast June 2006
42 Yahoo Finance December Stock Prices and Dividends
43 Value Line
44 Utility Sample Company Composite is value wieghted index. It includes American States, Aqua America, California Water, Connecticut Water, Middlesex Water,
45 and SJW Corp.
46 (1) Market Value Weighted

SCHEDULES

Golden Shores Water Company
Index of Standard Filing Schedules

Schedule No.		
A-1	Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification	
A-2	Summary of the results of operations for the test year and for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.	
A-3	Summary of capital structure for the test year and two fiscal years ended prior to the end of the test year, compared to the projected year	*Omitted Not Required*
A-4	Construction expenditures and gross utility plant in service for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.	
A-5	Summary of changes in financial position for the test year and the two fiscal years ended prior to the test year, compared to the projected year	*Omitted Not Required*
B-1	Schedule showing the elements of original cost and RCND rate bases.	
B-2	Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base	
B-2, Page 2a-2j	Plant Additions/Retirements	
B-3	Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base *Omitted RCND Not Requested*	*Omitted - Not Prepared*
B-4	Schedule demonstrating the determination of reproduction cost new less accumulated depreciation for the RCND rate base *Omitted RCND Not Requested*	*Omitted - Not Prepared*
B-5	Schedule showing the computation of working capital allowance.	
C-1	Test year income statement, with pro forma adjustments.	
C-2	Schedule showing the detail of all pro forma adjustments.	
C-3	Schedule showing the incremental taxes and other expesnes on gross revenues and the computation of an incremental gross revenue conversion factor.	
D-1	Summary of Cost of Capital	
D-2	Schedule Showing the detail of long-term debt and short-term at the end of the test year and the projected year and their total cost.	
D-3	Schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.	
D-4	Schedule summarizing conclusions of the required return on common Equity	
D-4.1	Selected Characteristics of Water Ultilities	
D-4.2	Capital Structures of Water Utilities	
D-4.3	Comparisons of Past and Future Estimates of Growth (5 Year)	
D-4.4	Comparisons of Past and Future Estimates of Growth (10 year)	
D-4.5	Analysts Forecasts of Earnings per Share Growth	
D-4.6	Estimates of Sustainable Growth	
D-4.7	Estimates of sv Growth	
D-4.8	Constant Growth DCF Using EPS Growth	
D-4.9	Constant Growth DCF Using Sustainable Growth	

Golden Shores Water Company
Index of Standard Filing Schedules

Schedule No.		
D-4.10	DCF Two Stage Growth	
D-4.11	Risk Premium Equity Cost Analysis Using Actual Returns	
D-4.12	Risk Premium Equity Cost Analysis Using Authorized Returns	
D-4.13	Returns on Equity - AUS Utility Reports	
E-1	Comparative balance sheets for the end of the test year and the two fiscal years ended prior to the end of the test year	
E-2	Comparative income statements for the end of the test year and the two fiscal years ended prior to the end of the test year.	
E-3	Comparative statements of changes in financial position for the test year and the two fiscal years ended prior to the test year.	*Omitted - Not Required*
E-4	Statement of changes in stockholder's equity for the test year and the two fiscal years ended prior to the test year.	*Omitted - Not Required*
E-5	Comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of the prior fiscal year.	
E-7	Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the two fiscal years ending prior to the end of the test year.	
E-8	Comparative schedule of all significant taxes charged to operations for the test year and the two fiscal years ended prior to the end of the test year.	
E-9	Notes to Audited or Compiled Financial Statements	
F-1	Projected income statements for the projected year compared with the test year, at present and proposed rates.	
F-2	Projected changes in financial position for the projected year compared with the test year, at present and proposed rates	*Omitted - Not Required*
F-3	Projected annual construction requirements by property classification, for one year subsequent to the test year, compared with the test year.	
F-4	Important assumption used in preparing forecasts and projections.	
G-1	Cost of Service Summary - Present Rates	*Omitted - Not Prepared*
G-2	Cost of Service Summary - Proposed Rates	*Omitted - Not Prepared*
G-3	Rate Base Allocations to Classes of Service	*Omitted - Not Prepared*
G-4	Expense Allocations to Classes of Service	*Omitted - Not Prepared*
G-5	Distribution of Rate Base by Function	*Omitted - Not Prepared*
G-6	Distribution of Expense by Function	*Omitted - Not Prepared*
G-7	Development of Allocation Factors	*Omitted - Not Prepared*
G-8	Development of Monthly Minimums based on Customer Function Development of Monthly Minimums based on Demand Function Development of Commodity Rate	*Omitted - Not Prepared*
H-1	Comparison of revenues by customer classification or other classification of revenue for the test year, at present and proposed rates.	
H-2	Comparison of revenues by class of service and by rate schedule for the test year at present and proposed rates	
H-3	Present and proposed rates schedules.	
H-4	Typical bill analysis.	
H-5	Bill counts.	

SCHEDULE

A

Golden Shores Water Company
Test Year Ended June 30, 2006
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	702,219
2			
3	Adjusted Operating Income		(49,181)
4			
5	Current Rate of Return		-7.00%
6			
7	Required Operating Income	$	68,888
8			
9	Required Rate of Return on Fair Value Rate Base		9.81%
10			
11	Operating Income Deficiency	$	118,069
12			
13	Gross Revenue Conversion Factor		1.3046
14			
15	Increase in Gross Revenue		
16	Requirement	$	154,035

17					
18	**Customer**	**Present**	**Proposed**	**Dollar**	**Percent**
19	**Classification**	**Rates**	**Rates**	**Increase**	**Increase**
20	**(Residential Commercial, Irrigation)**				
21	5/8 x 3/4 Inch	$ 469,455	$ 616,838	$ 147,382	31.39%
22	3/4 Inch	-	-	-	0.00%
23	1 Inch	-	-	-	0.00%
24	2 Inch	8,043	10,362	2,319	28.84%
25	Standpipe	62,432	70,202	7,769	12.44%
26				-	0.00%
27	Revenue Annualization	(37,946)	(41,943)	(3,998)	10.54%
28				-	0.00%
29	**Subtotal**	$ 501,985	$ 655,459	$ 153,473	30.57%
30					
31	Other Water Revenues	4,982	4,982	-	0.00%
32				-	0.00%
33				-	0.00%
34	**Total of Water Revenues (a)**	$ 506,967	$ 660,440	$ 153,473	30.27%
35					
36					
37					
38					
39					
40					
41	SUPPORTING SCHEDULES:				
42	B-1				
43	C-1				
44	C-3				
45	H-1				
46					

Golden Shores Water Company
Test Year Ended June 30, 2006
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 6/30/2004	Prior Years Ended 6/30/2005	Test Year Actual 6/30/2006	Test Year Adjusted 6/30/2006	Projected Year Present Rates 6/30/2007	Projected Year Proposed Rates 6/30/2007
1	Gross Revenues	$ 461,419	$ 466,443	$ 538,199	$ 507,533	$ 507,533	$ 661,569
2							
3	Revenue Deductions and	493,258	510,023	542,994	556,715	556,715	592,681
4	Operating Expenses						
5							
6	Operating Income	$ (31,838)	$ (43,580)	$ (4,795)	$ (49,181)	$ (49,181)	$ 68,888
7							
8	Other Income and	-	-	(3,914)	-	-	-
9	Deductions						
10							
11	Interest Expense	-	(16,095)	(16,689)	(13,155)	(13,155)	(13,155)
12							
13	Net Income	$ (31,838)	$ (59,676)	$ (25,398)	$ (62,336)	$ (62,336)	$ 55,733
14							
15	Earned Per Average						
16	Common Share	(0.03)	(0.06)	(0.03)	(0.06)	(0.06)	0.06
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	-4.77%	-7.79%	-2.89%	-4.97%	-5.12%	4.58%
25							
26	Return on Year End						
27	Capital	-4.89%	-6.77%	-2.90%	-4.97%	-5.27%	4.71%
28							
29	Return on Average						
30	Common Equity	-11.61%	-11.50%	-5.32%	-13.60%	-14.38%	11.32%
31							
32	Return on Year End						
33	Common Equity	-5.80%	-12.19%	-5.47%	-14.60%	-15.50%	10.71%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	-	(2.73)	(0.25)	(5.18)	(5.18)	6.53
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	-	(2.71)	(0.52)	(0.62)	(0.62)	5.24
41							
42							
43	SUPPORTING SCHEDULES						
44	C-1						
45	E-2						
46	F-1						

Golden Shores Water Company
Test Year Ended June 30, 2006
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2	Prior Year Ended 06/30/2004	75,753	40,066	1,328,604
3				
4	Prior Year Ended 06/30/2005	306,740	39,920	1,368,523
5				
6	Test Year Ended 06/30/2006	104,517	50,657	1,419,181
7				
8	Projected Year Ended 06/30/2007	20,000	356,367	1,775,548
9				
10				
11				
12				
13	SUPPORTING SCHEDULES:			
14	B-2			
15	E-5			
16	F-3			
17				
18				

SCHEDULE

B

Golden Shores Water Company
Test Year Ended June 30, 2006
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 1,812,332	$ 1,812,332
3	Less: Accumulated Depreciation	1,045,933	1,045,933
4			
5	Net Utility Plant in Service	$ 766,399	$ 766,399
6			
7	Less:		
8	Advances in Aid of		
9	Construction	41,000	41,000
10	Contributions in Aid of		
11	Construction - Net of amortization	39,655	39,655
12	Customer Meter Deposits	98,327	98,327
13	Deferred Income Taxes & Credits	(50,812)	(50,812)
14	Investment tax Credits	-	-
15			
16			
17	Plus:		
18	Unamortized Finance		
19	Charges	-	-
20	Materials and Supplies	10,539	10,539
21	Prepayments	-	-
22	Allowance for Working Capital	53,452	53,452
23			
24			
25	Total Rate Base	$ 702,219	$ 702,219
26			
27			
28			
29	SUPPORTING SCHEDULES:		
30	B-2		
31	B-3		
32	B-5		
33	E-1		
34			

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Proforma Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ 1,419,181	2	356,367	$ 1,812,332
3			3	36,784	
4	**Less:**				
5	Accumulated				
6	Depreciation	1,010,408	1	35,525	1,045,933
7					
8					
9	Net Utility Plant				
10	in Service	$ 408,773			$ 766,399
11					
12	**Less:**				
13	Advances in Aid of				
14	Construction	41,000			41,000
15					
16	Contributions in Aid of				
17	Construction - Net	41,023	4	(1,367)	39,655
18					
19	Customer Refundable Meter Deposits	98,327			98,327
20	Deferred Income Tax Liability (Asset)	(36,001)	5	(14,810)	(50,812)
21	Investment Tax Credits	-			-
22		-			-
23					
24	**Plus:**				
25	Unamortized Finance				
26	Charges	-			-
27	Materials and Supplies	10,539			10,539
28	Prepayments	-			-
29	Working capital	-	6	53,452	53,452
30		-			-
31					
32	Total	$ 274,963			$ 702,219
33					
34					
35					
36	SUPPORTING SCHEDULES:				RECAP SCHEDULES:
37	B-2, pages 2-3				B-1
38	E-1				
39					
40					
41					
42					
43					
44					
45					

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 1

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.			
1	Accumulated Depreciation Adjustment		
2			
3	Computed Balance	$	1,045,933
4	Balance per Company Schedule E-1		1,010,408
5	Difference	$	35,525
6			
7			
8			
9			
10			
11	Increase (Decrease) to Accumulated Depreciation	$	35,525
12			
13			
14			
15	SUPPORTING SCHEDULES		
16	B-2, pages 2a-2j		
17			
18			
19			
20			

Golden Shores Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2a
Witness: Bourassa

Account No.	Description	Deprec. Rate	5/31/1998	Accum. Depr.	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance	7 months 1998 Depr.
301	Organization Cost	0.00%	-				-		-	-
302	Franchise Cost	0.00%	-				-		-	-
303	Land and Land Rights	0.00%	1,800				-		1,800	-
304	Structures and Improvements	5.00%	30,129	15,230	54		54		30,183	880
305	Collecting and Impounding Res.	5.00%	81,128	41,009			-		81,128	2,366
306	Lake River and Other Intakes	5.00%	-	-			-		-	-
307	Wells and Springs	5.00%	49,731	25,139			-		49,731	1,450
308	Infiltration Galleries and Tunnels	5.00%	-	-			-		-	-
309	Supply Mains	5.00%	-	-			-		-	-
310	Power Generation Equipment	5.00%	-	-			-		-	-
311	Electric Pumping Equipment	5.00%	90,991	45,995			-		90,991	2,654
320	Water Treatment Equipment	5.00%	-	-			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%	44,771	22,631			-		44,771	1,306
331	Transmission and Distribution Mains	5.00%	455,430	230,215			-		455,430	13,283
333	Services	5.00%	47,594	24,058			-		47,594	1,388
334	Meters	5.00%	86,586	43,768	1,186		1,186		87,772	2,543
335	Hydrants	5.00%	1,972	997			-		1,972	58
336	Backflow Prevention Devices	5.00%	-	-			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%	27,987	14,147			-		27,987	816
340	Office Furniture and Fixtures	5.00%	31,561	15,954	892		892		32,453	934
341	Transportation Equipment	5.00%	26,380	13,335			-		26,380	769
342	Stores Equipment	5.00%	-	-			-		-	-
343	Tools and Work Equipment	5.00%	6,735	3,404			-		6,735	196
344	Laboratory Equipment	5.00%	-	-			-		-	-
345	Power Operated Equipment	5.00%	64,891	32,801			-		64,891	1,893
346	Communications Equipment	5.00%	7,798	3,942			-		7,798	227
347	Miscellaneous Equipment	5.00%	2,146	1,085			-		2,146	63
348	Other Tangible Plant	5.00%	41,296	20,875			-		41,296	1,204
				-			-		-	-
	Plant Held for Future Use									
	TOTAL WATER PLANT		1,098,925	554,584	2,131	-	2,131	-	1,101,056	32,031
	Depreciation								32,031	
(a)	Staff Accumulated Depreciation Allocated to Plant.		-							
	Retirements (excluding land)								-	
	Accumulated Depreciation Balance			554,584					586,615	
	Half Year Convention used on depreciation									

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		49,731	2,487
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%		6,683	6,683		462,112	22,939
333	Services	5.00%	11,487		11,487		59,081	2,667
334	Meters	5.00%	800	415	1,214		88,986	4,419
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	1,692		1,692		34,145	1,665
341	Transportation Equipment	5.00%			-		26,380	1,319
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%	1,275		1,275		8,010	369
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%			-		7,798	390
347	Miscellaneous Equipment	5.00%			-		2,146	107
348	Other Tangible Plant	5.00%			-		41,296	2,065
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		15,254	7,097	22,351	-	1,123,408	55,522
	Depreciation						55,522	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						642,136	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Plant Balance	2000 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%		120,235	120,235		169,967	5,492
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%		349	349		462,461	23,114
333	Services	5.00%	228		228		59,309	2,960
334	Meters	5.00%	729	430	1,159		90,145	4,478
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	1,589		1,589		35,734	1,747
341	Transportation Equipment	5.00%	14,861	6,037	20,899		47,279	1,841
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%	791		791		8,801	420
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%			-		7,798	390
347	Miscellaneous Equipment	5.00%			-		2,146	107
348	Other Tangible Plant	5.00%			-		41,296	2,065
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		18,198	127,052	145,250	-	1,268,657	59,712
	Depreciation						59,712	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						701,848	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		169,967	8,498
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%		1,356	1,356		463,817	23,157
333	Services	5.00%	159		159		59,468	2,969
334	Meters	5.00%	882	2,430	3,312		93,456	4,590
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	1,815		1,815		37,548	1,832
341	Transportation Equipment	5.00%			-		47,279	2,364
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%	300		300		9,101	448
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%			-		7,798	390
347	Miscellaneous Equipment	5.00%			-		2,146	107
348	Other Tangible Plant	5.00%			-		41,296	2,065
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		3,155	3,786	6,941	-	1,275,598	63,516
	Depreciation						63,516	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						765,364	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Plant Balance	2002 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		169,967	8,498
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%			-		463,817	23,191
333	Services	5.00%			-		59,468	2,973
334	Meters	5.00%	1,249	2,901	4,150		97,607	4,777
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%			-		37,548	1,877
341	Transportation Equipment	5.00%			-		47,279	2,364
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%			-		9,101	455
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%	1,340		1,340		9,138	423
347	Miscellaneous Equipment	5.00%	2,183		2,183		4,329	162
348	Other Tangible Plant	5.00%			-		41,296	2,065
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		4,772	2,901	7,674	-	1,283,272	63,882
	Depreciation						63,882	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						829,246	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	2003 Plant Balance	2003 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		169,967	8,498
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%			-		463,817	23,191
333	Services	5.00%	1,860		1,860		61,328	3,020
334	Meters	5.00%	3,156	3,000	6,156		103,763	5,034
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	1,377		1,377		38,925	1,912
341	Transportation Equipment	5.00%			-		47,279	2,364
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%	1,795		1,795		10,896	500
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%			-		9,138	457
347	Miscellaneous Equipment	5.00%			-		4,329	216
348	Other Tangible Plant	5.00%	27,929		27,929		69,225	2,763
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		36,118	3,000	39,118	-	1,322,389	65,052
	Depreciation						65,052	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						894,297	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	2004 Plant Balance	2004 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		169,967	8,498
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%			-		463,817	23,191
333	Services	5.00%			-		61,328	3,066
334	Meters	5.00%	10,068	19,481	29,549		133,312	5,927
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	1,078		1,078		40,003	1,973
341	Transportation Equipment	5.00%	8,356		8,356		55,635	2,573
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%	1,083		1,083		11,979	572
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-		64,891	3,245
346	Communications Equipment	5.00%			-		9,138	457
347	Miscellaneous Equipment	5.00%			-		4,329	216
348	Other Tangible Plant	5.00%			-		69,225	3,461
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		20,585	19,481	40,066	-	1,362,455	67,031
	Depreciation						67,031	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						961,328	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Plant Balance	2005 Deprec.
301	Organization Cost	0.00%			-		-	-
302	Franchise Cost	0.00%			-		-	-
303	Land and Land Rights	0.00%			-		1,800	-
304	Structures and Improvements	5.00%			-		30,183	1,509
305	Collecting and Impounding Res.	5.00%			-		81,128	4,056
306	Lake River and Other Intakes	5.00%			-		-	-
307	Wells and Springs	5.00%			-		169,967	8,498
308	Infiltration Galleries and Tunnels	5.00%			-		-	-
309	Supply Mains	5.00%			-		-	-
310	Power Generation Equipment	5.00%			-		-	-
311	Electric Pumping Equipment	5.00%			-		90,991	4,550
320	Water Treatment Equipment	5.00%			-		-	-
330	Distribution Reservoirs & Standpipe	5.00%			-		44,771	2,239
331	Transmission and Distribution Mains	5.00%		41,000	41,000		504,817	24,216
333	Services	5.00%			-		61,328	3,066
334	Meters	5.00%	9,751	21,053	30,803		164,115	7,436
335	Hydrants	5.00%			-		1,972	99
336	Backflow Prevention Devices	5.00%			-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%			-		27,987	1,399
340	Office Furniture and Fixtures	5.00%	290		290		40,293	2,007
341	Transportation Equipment	5.00%		(6,856)	(6,856)	(6,144)	42,635	2,457
342	Stores Equipment	5.00%			-		-	-
343	Tools and Work Equipment	5.00%		1,500	1,500	(944)	12,536	613
344	Laboratory Equipment	5.00%			-		-	-
345	Power Operated Equipment	5.00%			-	(12,840)	52,051	2,924
346	Communications Equipment	5.00%		494	494		9,632	469
347	Miscellaneous Equipment	5.00%			-		4,329	216
348	Other Tangible Plant	5.00%			-		69,225	3,461
					-		-	-
	Plant Held for Future Use							
	TOTAL WATER PLANT		10,041	57,191	67,231	(19,928)	1,409,758	69,215
	Depreciation						69,215	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						(19,928)	
	Accumulated Depreciation Balance						1,010,616	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

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Witness: Bourassa

Account No.	Description	Deprec. Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	Through June 2006 Deprec.
301	Organization Cost	0.00%	-		-		-	-
302	Franchise Cost	0.00%	-		-		-	-
303	Land and Land Rights	0.00%	-		-		1,800	-
304	Structures and Improvements	5.00%	0		0		30,183	755
305	Collecting and Impounding Res.	5.00%	0		0		81,128	2,028
306	Lake River and Other Intakes	5.00%	-		-		-	-
307	Wells and Springs	5.00%	-		-		169,967	4,249
308	Infiltration Galleries and Tunnels	5.00%	-		-		-	-
309	Supply Mains	5.00%	-		-		-	-
310	Power Generation Equipment	5.00%	-		-		-	-
311	Electric Pumping Equipment	5.00%	-		-		90,991	2,275
320	Water Treatment Equipment	5.00%	-		-		-	-
330	Distribution Reservoirs & Standpipe	5.00%	-		-		44,771	1,119
331	Transmission and Distribution Mains	5.00%	1,152		1,152		505,969	12,635
333	Services	5.00%	-		-		61,328	1,533
334	Meters	5.00%	7,511		7,511		171,626	4,197
335	Hydrants	5.00%	-		-		1,972	49
336	Backflow Prevention Devices	5.00%	-		-		-	-
339	Other Plant and Miscellaneous Equipment	5.00%	-		-		27,987	700
340	Office Furniture and Fixtures	5.00%	290		290		40,583	1,011
341	Transportation Equipment	5.00%	-		-		42,635	1,066
342	Stores Equipment	5.00%	-		-		-	-
343	Tools and Work Equipment	5.00%	469		469		13,004	319
344	Laboratory Equipment	5.00%	-		-		-	-
345	Power Operated Equipment	5.00%	-		-		52,051	1,301
346	Communications Equipment	5.00%	0		0		9,632	241
347	Miscellaneous Equipment	5.00%	-		-		4,329	108
348	Other Tangible Plant	5.00%	(0)		(0)		69,225	1,731
					-			-
	Plant Held for Future Use							
	TOTAL WATER PLANT		9,422	-	9,422	-	1,419,181	35,317
	Depreciation						35,317	
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)						-	
	Accumulated Depreciation Balance						1,045,933	
	Half Year Convention used on depreciation							

Golden Shores Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2j
Witness: Bourassa

Account No.	Description	Deprec. Rate	Year End Accumulated Depreciation by Account May-98	1998	1999	2000	2001	2002	2003	2004	2005	2006
301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
304	Structures and Improvements	5.00%	15,230	16,109	17,619	19,128	20,637	22,146	23,655	25,164	26,673	27,428
305	Collecting and Impounding Res.	5.00%	41,009	43,376	47,432	51,488	55,545	59,601	63,658	67,714	71,770	73,799
306	Lake River and Other Intakes	5.00%	-	-	-	-	-	-	-	-	-	-
307	Wells and Springs	5.00%	25,139	26,589	29,076	34,568	43,066	51,565	60,063	68,561	77,060	81,309
308	Infiltration Galleries and Tunnels	5.00%	-	-	-	-	-	-	-	-	-	-
309	Supply Mains	5.00%	-	-	-	-	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	5.00%	45,995	48,649	53,199	57,748	62,298	66,847	71,397	75,946	80,496	82,771
320	Water Treatment Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	5.00%	22,631	23,937	26,176	28,414	30,653	32,891	35,130	37,368	39,607	40,726
331	Transmission and Distribution Mains	5.00%	230,215	243,498	266,437	289,551	312,708	335,899	359,090	382,280	406,496	419,131
333	Services	5.00%	24,058	25,446	28,113	31,073	34,042	37,016	40,036	43,102	46,168	47,702
334	Meters	5.00%	43,768	46,311	50,730	55,208	59,798	64,575	69,609	75,536	82,972	87,168
335	Hydrants	5.00%	997	1,054	1,153	1,251	1,350	1,448	1,547	1,646	1,744	1,793
336	Backflow Prevention Devices	5.00%	-	-	-	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	5.00%	14,147	14,963	16,363	17,762	19,161	20,561	21,960	23,359	24,759	25,459
340	Office Furniture and Fixtures	5.00%	15,954	16,887	18,552	20,299	22,131	24,009	25,920	27,894	29,901	30,912
341	Transportation Equipment	5.00%	13,335	14,104	15,423	17,265	19,629	21,992	24,356	26,929	23,242	24,308
342	Stores Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	3,404	3,601	3,969	4,390	4,837	5,292	5,792	6,364	6,033	6,352
344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	32,801	34,694	37,939	41,183	44,428	47,672	50,917	54,161	44,245	45,546
346	Communications Equipment	5.00%	3,942	4,169	4,559	4,949	5,339	5,762	6,219	6,676	7,145	7,386
347	Miscellaneous Equipment	5.00%	1,085	1,147	1,255	1,362	1,469	1,631	1,847	2,064	2,280	2,389
348	Other Tangible Plant	5.00%	20,875	22,079	24,144	26,209	28,274	30,338	33,101	36,563	40,024	41,754
			-	-	-	-	-	-	-	-	-	-
	Plant Held for Future Use											
	TOTAL WATER PLANT		554,584	586,615	642,136	701,848	765,364	829,246	894,297	961,328	1,010,616	1,045,933
	Depreciation											
(a)	Staff Accumulated Depreciation Allocated to Plant.											
	Retirements (excluding land)											
	Accumulated Depreciation Balance											
	Half Year Convention used on depreciation											

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 2

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Line No.					
1	Transfer CWIP to Plant-in-Service				
2					
3	CWIP from E-1 (Well, Storage Tank, and related structures)				
4	304	Structures and Improvements	$	2,500	
5	305	Collecting and Impounding Res.		28,355	
6	307	Wells and Springs		231,378	
7	311	Electric Pumping Equipment		50,328	
8	339	Other Plant and Miscellaneous Equipment		43,806	
9					
10					
11	Total				356,367
12					
13	Increase (Decrease) to Plant in Service				$ 356,367
14					
15					
16					
17					
18					
19					
20					
21					
22					

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Line No.			
1	Reclassify Repairs & Maintenance Expense to Plant-in-Service		
2			
3	Layne Christiansen Invoice August 2005 (Reclass from Repairs & Maintenance)	$	14,256
4	Layne Christiansen Invoice June 2006 (Reclass from Repairs & Maintenance)		15,248
5	Concrete January 2006 (Reclass from Misc. Revenues)		7,280
6	Total		36,784
7			
8	Increase (Decrease) to Plant in Service	$	36,784
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Line No.					
1	CIAC from January 2005 throguh June 2006				
2					
3	Gross CIAC at 12/31/2005	$	54,697		
4	Amortization rate		5%		
5	Amortization from Jan-June 2006			$	1,367
6					
7					
8	Increase (Decrease) to net CIAC			$	(1,367)
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Golden Shores Water Company
Test Year Ended June 30, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line No.			
1	Deferred Income Taxes (DIT)		
2			
3	DIT Estimate at June 30, 2006	$	50,812
4	Actual DIT at December 31, 2005		36,001
5	Increase (Decrease)	$	14,810
6			
7			
8	Decrease (Increase) to DIT	$	(14,810)
9			
10			
11			
12	SUPPORTING SCHEDULES		
13	Schedule B-2, page 6a		
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Deferred Tax Analysis - Detail Computation
06/30/2006 ESTIMATE AS 2006 RETURN IS NOT FINALIZED

Exhibit
Schedule B-2
Page 6a

Line No.					Adjusted Tax	Per Rate Case Book
2	**Fixed assets**			Plant in Service		$ 1,812,332
3	Accounting Basis at end of year (excluding WIP)	$ 726,744		CIAC		(54,697)
4				Amort on CIAC		15,042
5	Tax basis of capital assets at end of year	903,359		Cost	$ 1,441,928	$ 1,772,677
6				Accum	(538,569)	(1,045,933)
7	Timing Difference	(176,615)		NBV	903,359	$ 726,744
8						
9	Tax rate (from Schedule C-3 and based in proposed revenues)	23.35%				
10				**June 30, 2006 Estimates**		
11	Defered tax liability (asset) - Fixed Assets [1]	(41,238.50)		Tax Basis Computation PIS		
12		ASSET		Per Return 2005	$ 1,048,777	
13				WIP to PIS	356,367	
14	**AIAC**			Rate Case Adj.	36,784	
15	Accounting Basis at end of year	41,000		June 2006 basis	$ 1,441,928	
16						
17	Tax basis at end of year	0		Tax Basis A/D		
18				Per Return 2005	$ 530,706	
19	Timing Difference	41,000		WIP to PIS	7,127	
20				Rate Case Adj.	736	
21	Tax rate (from Schedule C-3 and based in proposed revenues)	23.35%		June 2006 basis	$ 538,569	
22						
23	Defered tax asset - AIAC [2]	$ 9,573				
24		ASSET				
25	Net Future tax liability (asset)[1 + 2 = 3]	**$ (50,812)**				
26		ASSET				
27						
28						

29 Note: Net Opertating Loss carry-forwards as of 12/31/2005 are $35,000 for Federal and $30,000 for State.
30 Additional DIT Asset from NOL carry-forwards (not including in above computation)

31	Federal	$ 35,000	15.00% $ 5,250
32	State	$ 30,000	6.97% 2,091
33			$ 7,341

Golden Shores Water Company
Test Year Ended June 30, 2006
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	51,783
3	Pumping Power (1/24 of Pumping Power)		1,669
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	$	53,452
10			
11			
12	Working Capital Requested	$	53,452
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	E-1	B-1	
17			

SCHEDULE

C

Golden Shores Water Company
Test Year Ended June 30, 2006
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		(1) Test Year Book Results	(2) Label	(3) Adjustment	(4) Test Year Adjusted Results	(5) Proposed Rate Increase	(6) Adjusted with Rate Increase
1	**Revenues**						
2	Metered Water Revenues	$ 478,064	4/12	$ 24,487	$ 502,551	$ 154,035	$ 656,586
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	60,135	10/11	(55,153)	4,983		4,983
5		$ 538,199		$ (30,666)	$ 507,533	$ 154,035	$ 661,569
6	**Operating Expenses**						
7	Salaries and Wages - Employees	$ 148,058			$ 148,058		$ 148,058
8	Salaries and Wages - Officers, Directors and Maj	12,181			12,181		12,181
9	Employee Pensions and Benefits .	-			-		-
10	Purchased Water .	-			-		-
11	Purchased Power	45,113	9	(5,045)	40,068		40,068
12	Fuel for Power Production	224			224		224
13	Chemicals and Water Testing	4,478			4,478		4,478
14	Materials and Supplies	(3,920)	5	3,920	-		-
15	Materials and Supplies (office)	1,593			1,593		1,593
16	Freight	363			363		363
17	Repairs and Mantenance	49,773	7	(29,504)	20,269		20,269
18	Contractual Services - Engineering .	-			-		-
19	Contractual Services - Accounting .	2,780			2,780		2,780
20	Contractual Services - Legal .	230			230		230
21	Contractual Services - Management Fees .	-			-		-
22	Contractual Services - Casual labor	320			320		320
23	Contractual Services - Other .	90,000			90,000		90,000
24	Rental of Building/Real Property .	4,800			4,800		4,800
25	Rental of Equipment .	-			-		-
26	Transportation Expenses .	13,955			13,955		13,955
27	Telephone	4,679			4,679		4,679
28	Insurance	50,247			50,247		50,247
29	Advertising Expenses .	855			855		855
30	Reg. Comm. Exp. - Amortization of Rate Case	-	3	25,000	25,000		25,000
31	Bad Debt Expense .	971			971		971
32	Miscellaneous Expenses .	15,673			15,673		15,673
33	Depreciation Expenses .	67,456	1	23,542	90,998		90,998
34	Property Taxes .	24,864	2	5,512	30,376		30,376
35	Sales Tax Expense	3,410			3,410		3,410
36	Payroll Taxes	14,176			14,176		14,176
37	Income Tax	(9,283)	13	(9,705)	(18,989)	35,966	16,977
38				-	-		-
39	**Total Operating Expenses**	$ 542,994		$ 13,721	$ 556,715	$ 35,966	$ 592,681
40	**Operating Income**	$ (4,795)		$ (44,386)	$ (49,181)	$ 118,069	$ 68,888
41	**Other Income (Expense)**						
42	Interest Income	518	6a	(518)	-		-
43	Other Income	(3,914)	6b	3,914	-		-
44	Interest Expense	(16,689)	8	3,533	(13,155)		(13,155)
45	Other Expense	-			-		-
46		-			-		-
47	**Total Other Income (Expense)**	$ (20,085)		$ 6,930	$ (13,155)	$ -	$ (13,155)
48	**Net Profit (Loss)**	$ (24,880)		$ (37,456)	$ (62,336)	$ 118,069	$ 55,733
49							
50	SUPPORTING SCHEDULES:					RECAP SCHEDULES:	
51	C-2					A-1	
52	E-2						
53							

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Rate Case Expense	Revenue Annualization	Materials & Supplies	Remove Other Inc./Oth. Expense	
3	Revenues				(37,946)			(37,946)
5	Expenses	23,542	5,512	25,000		3,920		57,975
8	Operating Income	(23,542)	(5,512)	(25,000)	(37,946)	(3,920)	-	(95,921)
11	Interest Expense						(518)	(518)
13	Other Income / Expense						3,914	3,914
16	Net Income	(23,542)	(5,512)	(25,000)	(37,946)	(3,920)	3,397	(92,524)

		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Capitalize Repairs & Maintenance	Interest Synchronization	Purchased Power Annualization	Capitalize Revenues	Reclass Revenues	Income Taxes	
23	Revenues				7,280	-		(30,666)
25	Expenses	(29,504)		(5,045)			(9,705)	13,721
28	Operating Income	29,504	-	5,045	7,280	-	9,705	(44,386)
31	Interest Expense		3,533					3,016
33	Other Income / Expense							3,914
36	Net Income	29,504	3,533	5,045	7,280	-	9,705	(37,456)

		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
43	Revenues							(30,666)
45	Expenses							13,721
48	Operating Income	-	-	-	-	-	-	(44,386)
51	Interest Expense							3,016
53	Other Income / Expense							3,914
56	Net Income	-	-	-	-	-	-	(37,456)

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Line No.						
1	Depreciation Expense					
2						
3	Account				Proposed	Depreciation
4	No.	Description		Original Cost	Rate	Expense
5	301	Organization Cost		-	0.00%	-
6	302	Franchise Cost		-	0.00%	-
7	303	Land and Land Rights		1,800	0.00%	-
8	304	Structures and Improvements		30,183	3.33%	1,005
9	305	Collecting and Impounding Res.		81,128	2.50%	2,028
10	306	Lake River and Other Intakes		-	2.50%	-
11	307	Wells and Springs		169,967	3.33%	5,660
12	308	Infiltration Galleries and Tunnels		-	6.67%	-
13	309	Supply Mains		-	2.00%	-
14	310	Power Generation Equipment		-	5.00%	-
15	311	Electric Pumping Equipment		90,991	12.50%	11,374
16	320	Water Treatment Equipment		-	3.33%	-
17	330	Distribution Reservoirs & Standpipe		44,771	2.22%	994
18	331	Transmission and Distribution Mains		505,969	2.00%	10,119
19	333	Services		61,328	3.33%	2,042
20	334	Meters		171,626	8.33%	14,296
21	335	Hydrants		1,972	2.00%	39
22	336	Backflow Prevention Devices		-	6.67%	-
23	339	Other Plant and Miscellaneous Equipment		27,987	6.67%	1,867
24	340	Office Furniture and Fixtures		40,583	6.67%	2,707
25	341	Transportation Equipment		42,635	20.00%	8,527
26	342	Stores Equipment		-	4.00%	-
27	343	Tools and Work Equipment		13,004	5.00%	650
28	344	Laboratory Equipment		-	10.00%	-
29	345	Power Operated Equipment		52,051	5.00%	2,603
30	346	Communications Equipment		9,632	10.00%	963
31	347	Miscellaneous Equipment		4,329	10.00%	433
32	348	Other Tangible Plant		69,225	10.00%	6,922
33						
34		TOTALS	$	1,419,181		$ 72,230
35						
36						
37	Capitaized Expenses (See B-2 Adjustment #3)					
38						
39	307	Pumping Equipment	$	29,503	12.50%	3,688
40						
41			$	29,503		$ 3,688
42						
43	**Post Test Year Plant per B-2**					
44						-
45	304	Structures and Improvements	$	2,500	3.33%	83
46	305	Collecting and Impounding Res.		28,355	2.50%	709
47	307	Wells and Springs		231,378	3.33%	7,705
48	311	Electric Pumping Equipment		50,328	12.50%	6,291
49	339	Other Plant and Miscellaneous Equipment		43,806	6.67%	2,922
50						
51	Total PTY Plant		$	356,367		$ 17,710
50						
51	Less: Amortization of Contributions - Balance End of TY		$	54,697	4.81%	$ (2,630)
52						
53	Total Depreciation Expense					$ 90,998
54						
55	Test Year Depreciation Expense					67,456
56						
57	Increase (decrease) in Depreciation Expense					23,542
58						
59	Adjustment to Revenues and/or Expenses					$ 23,542

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended 09/31/05	$	507,533
4	Adjusted Revenues in year ended 09/31/05		507,533
5	Proposed Revenues		661,569
6	Average of three year's of revenue	$	558,879
7	Average of three year's of revenue, times 2	$	1,117,757
8	Add:		
9	Construction Work in Progess at 10%	$	-
10	Deduct:		
11	Book Value of Transportation Equipment		18,327
12			
13	Full Cash Value	$	1,099,430
14	Assessment Ratio		23.50%
15	Assessed Value		258,366
16	Property Tax Rate		11.7571%
17			
18	Property Tax		30,376
19	Tax on Parcels		0
20			
21	Total Property Tax at Proposed Rates	$	30,376
22	Property Taxes in the test year		24,864
23	Change in Property Taxes	$	5,512
24			
25			
26	Adjustment to Revenues and/or Expenses	$	5,512
27			
28			

Golden Shores Water Company
Test Year Ended June 30, 2006
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Rate Case Expense		
2			
3	Estimated Rate Case Expense	$	100,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	$	25,000
8			
9	Test Year Rate Case Expense	$	-
10			
11	Increase(decrease) Rate Case Expense	$	25,000
12			
13	Adjustment to Revenue and/or Expense	$	25,000
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Revenue Annualization		
2			
3			
4	Revenue Annualization 5/8X3/4 Inch Metered Customers	$	6,238
5	Revenue Annualization - Standpipe Construction Water Topock Village Estates		(44,183)
6			
7			
8	Total Revenue from Annualization	$	(37,946)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(37,946)
12			
13	SUPPORTING SCHEDULES		
14	H-1		
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Line No.		
1	Remove Negative Materials and Supplies Expense	
2		
3	Test Year Materials and Supplies Expense	$ (3,920)
4		
5		
6		
7		
8	Adjustment to Revenue and/or Expense	$ 3,920
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line No.				
1	Remove Other Income and Expenses to Eliminate Effects on Income Taxes			
2				
3				Adjustment Label
4	Test Year Interest Income	$	(518)	6a
5	Test Year Other Expense		3,914	6b
6				
7				
8	Total	$	3,397	
9				
10				
11	Adjustment to Revenue and/or Expense	$	3,397	
12				
13				
14				
15				
16				
17				
18				
19				
20				

Golden Shores Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	Reclassify Repairs and Maintenance to Plant-in-Service		
2			
3	Layne Christiansen Invoice August 2005	$ 14,256	
4	Layne Christiansen Invoice June 2006	15,248	
5			
6	Total Invoices Reclassified		$ 29,504
7			
8			
9			
10			
11	Adjustment to Revenue and/or Expense		$ (29,504)
12			
13			
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line No.					
1	Interest Expense Synchronization with Rate Base				
2					
3	Rate Base (From B-1)	$	702,219		
4	Projected Weighted Cost of Debt (See D-1)		1.87%		
5	Synchronized Interest Expense			$	13,155
6	Test Year Interest Expense				16,689
7					
8	Increase (Decrease) in Interest Expense			$	(3,533)
9					
10					
11	Adjustment to Revenue and/or Expense			$	3,533
12					
13					
14					
15					
16					
17					
18					

Golden Shores Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line No.			
1	Annualize power cost for additonal gallons from annualization of revenues		
2			
3	Test Year Power Costs	$	45,113
4	Gallons sold in Test Year (1,000's)		165,996
5	Cost per 1,000 gallons		0.27177
6	Additonal gallons from annualization (in 1,000's)		(18,563)
7			
8	Additional Expense	$	(5,045)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(5,045)
12			
13			
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.			
1	Reclassify Mispost to Misc. Revenues to Plant-in-Service		
2			
3			
4	Concrete - January 2006	$	7,280
5			
6			
7			
8			
9	Adjustment to Misc Revenues	$	7,280
10			
11			
12			
13			
14			
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Golden Shores Water Company
Test Year Ended June 30, 2006
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line No.			
1	Reclassify Wholesale/Construction Water Sales to Metered Revenues		
2			
3			
4	Wholesale Water Recorded to Misc. Revenues	$	62,432
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Golden Shores Water Company
Income Tax Calculation
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13

Witness: Bourassa

Line No.		Test Year Book Results		Test Year Adjusted Results		Adjusted with Rate Increase
1	Income Before Taxes	(34,164)		(81,325)		72,710
2	Arizona Income Before Taxes	(34,164)		(81,325)		72,710
3						
4	Less Arizona Income Tax	(2,381)		(5,667)		5,066
5	Rate 6.97%					
6						
7	Arizona Taxable Income	(31,783)		(75,658)		67,643
8	Arizona Income Taxes	(2,381)		(5,667)		5,066
9						
10	Federal Income Before Taxes	(34,164)		(81,325)		72,710
11						
12	Less Arizona Income Taxes	(2,381)		(5,667)		5,066
13						
14	Federal Taxable Income	(31,783)		(75,658)		67,643
15						
16						
17						
18	FEDERAL INCOME TAXES:					
19	15% BRACKET	(4,767)		(11,349)		7,500
20	25% BRACKET	-		-		4,411
21	34% BRACKET	-	Federal	-	Federal	0
22	39% BRACKET	-	Effective	-	Effective	0
23	34% BRACKET	-	Tax	-	Tax	0
24			Rate		Rate	
25	Federal Income Taxes	(4,767)	13.95%	(11,349)	13.95%	11,911
26						
27						
28	Total Income Tax	-7,148		-17,016		16,977
29						
30	Overall Tax Rate	20.92%		20.92%		23.35%
31						
32	Income Tax at Proposed Rates Effective Rate			(18,989)		
33						
34						

Golden Shores Water Company
Test Year Ended June 30, 2006
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	16.38%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	23.35%
9		
10	Operating Income % = 100% - Tax Percentage	76.65%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.3046
17		
18	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
19		A-1
20		

SCHEDULE

D

Golden Shores Water Company
Test Year Ended June 30, 2006
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	223,151	31.71%	7.25%	2.30%	186,867	25.84%	7.25%	1.87%
2									
3	Stockholder's Equity (1) (2)	480,586	68.29%	11.00%	7.51%	536,318	74.16%	11.00%	8.16%
4									
5	Totals	703,737	100.00%		9.81%	723,186	100.00%		10.03%
6									
7									
8	**(1) Decrease Equity for A/D adjustment 1, B-2, page 1**	**$ (35,525)**							
9	**(2) Increase Equity for expense reclassified to plant adjustment 2, B-2, page 1**					**$ 36,784**			
10	**(2) Increase Equity for expense for increase in DIT asset, B-2, page 1**	**$ 14,810**							
11									
11	SUPPORTING SCHEDULES:								
12	D-1								
13	D-3								
14	D-4								
15	E-1								
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

RECAP SCHEDULES:
A-3

Golden Shores Water Company
Test Year Ended June 30, 2006
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1									
2	Bank One	223,151	16,178	7.25%	7.25%	186,867	13,548	7.25%	7.25%
3		-	-	0.00%	0.00%	-	-	0.00%	0.00%
4		-	-	0.00%	0.00%	-	-	0.00%	0.00%
5		-	-	0.00%	0.00%	-	-	0.00%	0.00%
6		-	-	0.00%	0.00%	-	-	0.00%	0.00%
7		-	-	0.00%	0.00%	-	-	0.00%	0.00%
8		-	-	0.00%	0.00%	-	-	0.00%	0.00%
9		-	-	0.00%	0.00%	-	-	0.00%	0.00%
10		-	-	0.00%	0.00%	-	-	0.00%	0.00%
11									
12									
13	Totals	$ 223,151	16,178		7.25%	$ 186,867	13,548		7.25%
14									
15	Supporting Schdules:								
16	E-2								
17									
18									
19									
20									
21									

($21,474.88)

Golden Shores Water Company
Test Year Ended June 30, 2006
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	Amount	Dividend Requirement	End of Projected Year Shares Outstanding	Amount	Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:				RECAP SCHEDULES:		
18	(a) E-1				(a) D-1		
19							
20							

isa

Golden Shores Water Company
Test Year Ended June 30, 2006
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.	
1	
2	The Company is proposing a cost of common equity of 11.0% .
3	
4	
5	
6	
7	
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9	
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11	
12	
13	
14	
15	
16	
17	SUPPORTING SCHEDULES: RECAP SCHEDULES:
18	(a) E-1 (a) D-1
19	
20	

Golden Shores Water Company
Summary of Results

Exhibit
Schedule D-4.0
Witness: Bourassa

Line No.		Low	High	Midpoint
1	DCF Constant Growth	9.9%	12.8%	11.4%
2	DCF Sustainable Growth	8.7%	10.8%	9.8%
3	DCF Two-Stage	9.6%	11.7%	10.7%
4				
5	Risk Premium - Actual Returns	10.1%	10.2%	10.2%
6	Risk Premium - Authorized Returns	10.8%	11.3%	11.1%
7				
8	Actual Returns	4.0%	11.7%	7.9%
9	Authorized Returns	9.9%	12.7%	11.3%
10				
11	Water Utility Industry			
12	2006			9.5%
13	2007			10.5%
14	09-11			11.5%
15				
16				
17				
18				
19				
20				

Golden Shores Water Company
Selected Characteristics of Water Utilities

Exhibit
Schedule D-4.1
Witness: Bourassa

Line No.		% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1						
2						
3						
4	1. American States	85%	$ 248.7	$ 644.8	A-	A2
5	2. Aqua America	88%	$ 519.6	$ 2,115.5	AA-	NR
6	3. California Water	95%	$ 325.3	$ 797.4	NR	A2
7	4. Connecticut Water	88%	$ 51.1	$ 206.4	AAA	NR
8	5. Middlesex	89%	$ 80.5	$ 274.4	A	NR
9	6. SJW Corp.	97%	$ 188.3	$ 406.7	NR	NR
10						
11	Average	90%	$ 235.6	$ 740.9		
12						
13	Golden Shores Water Company	100%	$ 0.5	$ 0.8		
14						

15 Source: AUS Utility Reports (December 2006)

Golden Shores Water Company
Capital Structures of Water Utilities December 2005

Exhibit
Schedule D-4.2
Witness: Bourassa

No.		Book Value		Market Value	
		Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	American States	50.4%	49.6%	29.6%	70.4%
2	Aqua America	52.0%	48.0%	22.9%	77.1%
3	California Water	48.3%	51.7%	27.2%	72.8%
4	Connecticut Water	40.6%	59.4%	25.7%	74.3%
5	Middlesex	56.3%	43.7%	37.1%	62.9%
6	SJW Corp.	42.6%	57.4%	18.7%	81.3%
7					
8	Average	48.3%	51.7%	26.9%	73.1%
9					
10	Golden Shores Water Company	31.7%	68.3%	N/A	N/A

Sources:
Zacks Investment Research

Golden Shores Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.3
Page 1
Witness: Bourassa

Line No.		Company	Five-year historical compound annual changes Price	Book Value	DPS	EPS	Average Future Growth*
7	1.	American States	8.19%	4.29%	0.91%	1.29%	7.50%
8	2.	Aqua America	21.12%	10.35%	7.39%	8.60%	10.67%
9	3.	California Water	12.54%	4.38%	0.72%	2.33%	7.50%
10	4.	Connecticut Water	7.61%	5.25%	1.48%	Negative	
11	5.	Middlesex	5.32%	4.26%	1.89%	6.84%	
12	6.	SJW Corp.	9.11%	6.30%	5.27%	14.07%	
15		GROUP AVERAGE	10.65%	5.80%	2.95%	6.62%	8.56%
16		GROUP MEDIAN	8.65%	4.81%	1.69%	6.84%	7.50%

* See Schedule D-4.5

Sources:
Value Line Data
Yahoo Finance

Golden Shores Water Company

Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4
Page 1
Witness: Bourassa

Line No.		Company	Ten-year historical compound annual changes Price	Book Value	DPS	EPS	Average Future Growth*
7	1.	American States	13.25%	4.33%	1.06%	3.42%	7.50%
8	2.	Aqua America	27.11%	9.86%	6.16%	9.37%	10.67%
9	3.	California Water	13.65%	3.15%	0.92%	2.31%	7.50%
10	4.	Connecticut Water	11.68%	4.03%	1.26%	Negative	
11	5.	Middlesex	11.55%	3.93%	2.18%	0.43%	
12	6.	SJW Corp.	17.76%	5.44%	3.94%	2.38%	
15		GROUP AVERAGE	15.83%	5.12%	2.59%	3.58%	8.56%
16		GROUP MEDIAN	13.45%	4.18%	1.72%	2.38%	7.50%

* See Schedule D-4.5

Sources:
Value Line Data
Yahoo Finance

Golden Shores Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.5
Witness: Bourassa

Line No.		Company	(1) Zacks	(2) S&P	(3) Value Line	(4) Average Growth (G) (Cols 1-3)
			EPS GROWTH			
7	1.	American States	6.00%	6.00%	10.50%	7.50%
8	2.	Aqua America	8.00%	12.00%	12.00%	10.67%
9	3.	California Water	10.00%	8.00%	4.50%	7.50%
10	4.	Connecticut Water				8.56%
11	5.	Middlesex				8.56%
12	6.	SJW Corp.				8.56%
15		GROUP AVERAGE	8.00%	8.67%	9.00%	8.56%
16		GROUP MEDIAN				8.56%

Sources:
Value Line Investment Analyzer Data December 22, 2006
Zacks Investment Research Site December 22, 2006
S&P Earnings Guide December 2006

Golden Shores Water Company
Estimates of Sustainable Growth

Exhibit
Schedule D-4.6
Witness: Bourassa

Line No.		(1)	(2)	(3)	(4)	(5)
	Company	Retention Ratio	Rate of Return	br Growth	sv Growth	Average Sustainable Growth (Cols 3+4)
1.	American States	0.49	10.00%	4.95%	3.35%	8.30%
2.	Aqua America	0.42	14.50%	6.15%	0.74%	6.89%
3.	California Water	0.32	9.00%	2.90%	3.18%	6.08%
4.	Connecticut Water					
5.	Middlesex					
6.	SJW Corp.					
	GROUP AVERAGE	0.41	11.17%	4.67%	2.42%	7.09%
	GROUP MEDIAN	0.42	10.00%	4.95%	3.18%	6.89%

Sources:
Value Line Investment Analyzer Data December 22, 2006

Golden Shores Water Company
Estimates of sv Growth

Exhibit
Schedule D-4.7
Witness: Bourassa

Line No.		(1)	(2)	(3)	(4)	
	Company	Stock Financing Rate	Current Market to Book Ratio	v	sv Growth	
1.	American States	5.71%	2.42	0.59	3.35%	0.02
2.	Aqua America	1.03%	3.65	0.73	0.74%	0.01
3.	California Water	5.26%	2.52	0.60	3.18%	0.02
4.	Connecticut Water				na	
5.	Middlesex				na	
6.	SJW Corp.				na	
	GROUP AVERAGE	4.00%	2.86	0.64	2.42%	
	GROUP MEDIAN	5.26%	2.52	0.60	3.18%	

Sources:
Value Line Investment Analyzer Data December 22, 2006
Zacks Investment Research Site December 22, 2006
S&P Earnings Guide December 2006

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model
Using Projected EPS Growth

Exhibit
Schedule D-4.8
Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) (a) EPS Growth (g)	(5) Indicated Cost of Equity k=Div Yld + g (Cols 3+4)
7	1.	American States	38.01	0.92	2.42%	7.50%	9.9%
8	2.	Aqua America	22.98	0.50	2.18%	10.67%	12.8%
9	3.	California Water	39.90	1.16	2.91%	7.50%	10.4%
10	4.	Connecticut Water	22.89	0.86	3.76%	8.56%	12.3%
11	5.	Middlesex	18.74	0.68	3.65%	8.56%	12.2%
12	6.	SJW Corp.	34.63	0.55	1.59%	8.56%	10.1%
13							
14							
15		GROUP AVERAGE			2.75%	8.56%	11.3%
16		GROUP MEDIAN					11.3%
17							
18	a) See Schedules D-4.5						
19							
20	Sources:						
21		Value Line Investment Analyzer Data December 22, 2006					
22							
23							

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Constant Growth DCF Model - Sustainable Growth

Exhibit
Schedule D-4.9
Witness: Bourassa

Line No.		Company	(1) Spot Price (Po)	(2) Next Year's Div (D1)	(3) Dividend Yield	(4) Sustainable Growth(a) br	(5) vs	(6) br+sv Growth (g)	(7) Indicated Cost of Equity k=Div Yld + g (Cols 3+6)
1	1.	American States	38.01	0.92	2.42%	4.95%	3.35%	8.30%	10.7%
2	2.	Aqua America	22.98	0.50	2.18%	6.15%	0.74%	6.89%	9.1%
3	3.	California Water	39.90	1.16	2.91%	2.90%	3.18%	6.08%	9.0%
4	4.	Connecticut Water	22.89	0.86	3.76%			7.09%	10.8%
5	5.	Middlesex	18.74	0.68	3.65%			7.09%	10.7%
6	6.	SJW Corp.	34.63	0.55	1.59%			7.09%	8.7%
7									
8		GROUP AVERAGE			2.75%			7.09%	9.8%
9		GROUP MEDIAN							9.9%

a) See Schedule D-4.6 and D-4.7

Golden Shores Water Company
Discounted Cash Flow Analysis (Water)
Two-Stage Growth - Projected

Exhibit
Schedule D-4.10
Witness: Bourassa

Line No.		Company	(1) Spot Price(P_0)	(2) Next Year's Div (D_1)	(3) Yield (D_1/P_0)	(4) Projected Growth Rates Near Term (a)	(5) Long Term (GDP)	(6) Average (b)	(7) Indicated Cost of Equity
1									
2									
3									
4									
5									
6									
7	1.	American States	38.01	0.92	2.42%	7.50%	6.80%	7.27%	9.7%
8	2.	Aqua America	22.98	0.50	2.18%	10.67%	6.80%	9.39%	11.6%
9	3.	California Water	39.90	1.16	2.91%	7.50%	6.80%	7.27%	10.2%
10	4.	Connecticut Water	22.89	0.86	3.76%	8.56%	6.80%	7.98%	11.7%
11	5.	Middlesex	18.74	0.68	3.65%	8.56%	6.80%	7.98%	11.6%
12	6.	SJW Corp.	34.63	0.55	1.59%	8.56%	6.80%	7.98%	9.6%
13									
14									
15		GROUP AVERAGE						7.98%	10.7%
16		GROUP MEDIAN							10.9%
17									
18		(a) See Schedule D-4.5							
19		(b) Near term growth given weighting of .67							
20									
21									
22									
23									
24									

Golden Shores Water Company
Risk Premium Equity Cost Analysis
Average Equity Returns of Sample Water Companies

Exhibit
Schedule D-4.11
Witness: Bourassa

Line No.		Actual Returns on Equity	Annual Average 10 Year Treasury	Risk Premium 10 Year Treasury
1	2005	9.22%	4.29%	4.93%
2	2004	9.00%	4.27%	4.73%
3	2003	8.75%	4.01%	4.74%
4	2002	10.25%	4.61%	5.64%
5	2001	10.05%	5.02%	5.03%
6	2000	9.62%	6.03%	3.59%
7	1999	11.20%	5.65%	5.55%
8	1998	10.62%	5.26%	5.36%
9	1997	11.52%	6.35%	5.17%
10	1996	11.67%	6.44%	5.23%
11	1995	10.93%	6.57%	4.36%
12				
13				
14	10 Year Average Premium			5.00%
15	5 Year Average Premium			5.01%
16				
17				
18	Consensus Forecast Interest Rates for 2008-2009			5.15%
19				
20	Projected Returns on Equity			
21	10 Year Average			10.1%
22	5 Year Average			10.2%
23				
24				
25	Sources:			
26	Value Line Data December 22, 2006			
27	Ibbotson Associates SBBI Valuation Edition 2006 Yearbook			
28	Blue Chip Forecast Interest Rates - 10 year Treas. December 2006			
29	Federal Reserve			
30				

Golden Shores Water Company
Risk Premium Equity Cost Analysis
Authorized Equity Returns of Sample Water Companies

Exhibit
Schedule D-4.12
Witness: Bourassa

Line No.		Authorized Returns on Equity	Average Annual 10 Year Treasury	Risk Premium 10 Year Treasury
1	2005	10.47%	4.34%	6.13%
2	2004	10.40%	4.27%	6.13%
3	2003	10.48%	4.01%	6.47%
4	2002	10.62%	4.61%	6.01%
5	2001	10.86%	5.02%	5.84%
6	2000	11.12%	6.03%	5.09%
7	1999	11.12%	5.65%	5.47%
8	1998	11.06%	5.26%	5.80%
9	1997	11.18%	6.35%	4.83%
10	1996	11.58%	6.44%	5.14%
11	1995	11.51%	6.57%	4.94%
12				
13				
14	10 Year Average Premium			5.69%
15	5 Year Average Premium			6.12%
16				
17				
18	Consensus Forecast Interest Rates for 2008-2009			5.15%
19				
20	Projected Returns on Equity			
21	10 Year Average			10.8%
22	5 Year Average			11.3%
23				
24				
25	Sources:			
26	AUS Utility Reports, issues for December various years			
27	Ibbotson Associates SBBI Valuation Edition 2006 Yearbook			
28	Blue Chip Forecast Interest Rates - 10 year Treas. December 2006			
29	Federal Reserve			

Test Year Ended June 30, 2006
Returns on Equity of Nationally Traded Water
Utilities as Reported in AUS Utility Reports
December 2006

Exhibit
Schedule D-4.13
Witness: Bourassa

Line No.		Authorized Rate of Return	Current Rate of Return
1	American States Water Co.	9.9%	11.1%
2	Aqua America	10.1%	10.5%
3	California Water	10.1%	8.8%
4	Connecticut Water Service	12.7%	4.0%
5	Middlesex Water Co.	10.0%	10.0%
6	SJW Corp.	9.9%	11.7%
7			
8			
9	Averages	10.4%	9.4%
10			
11			
12			
13			
14			
15			

SCHEDULE

E

Golden Shores Water Company
Test Year Ended June 30, 2006
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 6/30/2006	Year Ended 6/30/2005	Year Ended 6/30/2004
1	**ASSETS**			
2	Plant In Service	$ 1,419,181	$ 1,368,523	$ 1,328,604
3				
4	Non-Utility Plant	30,785	30,785	30,785
5	Construction Work in Progress	356,367	302,508	35,687
6	Less: Accumulated Depreciation	(1,010,408)	(959,598)	(891,591)
7	Net Plant	$ 795,925	$ 742,218	$ 503,484
8				
9	Debt Reserve Fund	$ -	$ -	$ -
10				
11		$ -	$ -	$ -
12				
13	CURRENT ASSETS			
14	Cash and Equivalents	$ 24,094	$ 90,790	$ 91,834
15	Restricted Cash	-	-	-
16	Accounts Receivable, Net	41,305	40,517	45,363
17	Unbilled Revenues	-	-	-
18	Materials and Supplies	10,539	4,094	10,284
19	Prepayments	-	-	-
20	Other Current Assets	2,871	3,366	-
21	Total Current Assets	$ 78,808	$ 138,767	$ 147,481
22				
23	Deferred Debits	$ -	$ -	$ -
24				
25	Other Investments & Special Funds	$ -	$ -	$ -
26				
27	TOTAL ASSETS	$ 874,733	$ 880,986	$ 650,965
28				
29				
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31				
32	Common Equity	$ 464,516	$ 489,416	$ 548,514
33				
34	Long-Term Debt	$ 223,151	$ 262,053	$ -
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	$ 8,158	$ 4,576	$ 4,602
38	Current Portion of Long-Term Debt	-	-	-
39	Payables to Associated Companies	-	-	-
40	Customer Meter Deposits, Current	2,490	2,240	2,420
41	Accrued Taxes	34,559	32,767	20,142
42	Accrued Interest	-	-	-
43	Other Current Liabilities	-	-	-
44	Total Current Liabilities	$ 45,208	$ 39,583	$ 27,164
45	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	$ 95,837	$ 72,245	$ 46,932
47	Advances in Aid of Construction	41,000	-	-
48	Accumulated Deferred Income Taxes	(36,001)	(26,069)	(18,136)
49	Contributions In Aid of Construction, Net	41,023	43,757	46,492
50	Asset Retirement Obligations	-	-	-
51	Total Deferred Credits	$ 141,858	$ 89,933	$ 75,288
52				
53	Total Liabilities & Common Equity	$ 874,733	$ 880,986	$ 650,965
54				
55	SUPPORTING SCHEDULES:			
56	E-5			
57				

Golden Shores Water Company
Test Year Ended June 30, 2006
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 6/30/2006	Prior Year Ended 6/30/2005	Prior Year Ended 6/30/2004
1	**Revenues**			
2	Metered Water Revenues	$ 478,064	$ 447,886	$ 458,747
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	60,135	18,557	2,673
5	**Total Revenues**	$ 538,199	$ 466,443	$ 461,419
6	**Operating Expenses**			
7	Salaries and Wages - Employees	$ 148,058	$ 145,185	$ 132,362
8	Salaries and Wages - Officers, Directors and Maj	12,181	3,300	2,400
9	Employee Pensions and Benefits .			
10	Purchased Water .			
11	Purchased Power	45,113	37,310	41,960
12	Fuel for Power Production	224	245	257
13	Chemicals and Water Testing	4,478	6,114	10,648
14	Materials and Supplies (repairs and maintenance	(3,920)	3,514	4,882
15	Materials and Supplies (office)	1,593	3,129	3,282
16	Freight	363	470	583
17	Repairs and Mantenance	49,773	22,196	16,132
18	Contractual Services - Engineering .	-	-	-
19	Contractual Services - Accounting .	2,780	2,560	2,515
20	Contractual Services - Legal .	230	1,782	1,388
21	Contractual Services - Management Fees .			
22	Contractual Services - Casual labor	320	50	1,462
23	Contractual Services - Other .	90,000	97,500	93,750
24	Rental of Building/Real Property .	4,800	4,000	4,800
25	Rental of Equipment .			
26	Transportation Expenses .	13,955	9,524	8,760
27	Telephone	4,679	4,655	3,814
28	Insurance	50,247	46,455	61,659
29	Advertising Expenses .	855	915	-
30	Reg. Comm. Exp. - Amortization of Rate Case	-	-	-
31	Bad Debt Expense .	971	1,084	869
32	Miscellaneous Expenses .	15,673	17,517	12,167
33	Depreciation Expenses .	67,456	65,271	63,292
34	Property Taxes .	24,864	25,833	23,586
35	Sales Tax Expense	3,410	2,298	1,949
36	Payroll Taxes	14,176	17,484	12,949
37	Income Tax	649	(437)	(20)
38	Provision for Deferred Income Taxes	(9,932)	(7,933)	(12,189)
39	**Total Operating Expenses**	$ 542,994	$ 510,023	$ 493,258
40	**Operating Income**	$ (4,795)	$ (43,580)	$ (31,838)
41	***Other Income (Expense)***			
42	Interest Income	518	578	580
43	Other income	(3,914)	-	-
44	Interest Expense	(16,689)	(16,095)	-
45	Other Expense	-	-	-
46				
47	**Total Other Income (Expense)**	$ (20,085)	$ (15,517)	$ 580
48	**Net Profit (Loss)**	$ (24,880)	$ (59,098)	$ (31,258)
49				
50				
51				
52	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
53			A-2	
54				

Golden Shores Water Company
Test Year Ended June 30, 2006
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 6/30/2005	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 6/30/2006
1					
2	301	Organization Cost	$ -	$ -	$ -
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	1,800	-	1,800
5	304	Structures and Improvements	30,183	-	30,183
6	305	Collecting and Impounding Res.	81,128	-	81,128
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	169,967	-	169,967
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	90,991	-	90,991
13	320	Water Treatment Equipment	-	-	-
14	330	Distribution Reservoirs & Standpipe	44,771	-	44,771
15	331	Transmission and Distribution Mains	463,817	42,152	505,969
16	333	Services	61,328	-	61,328
17	334	Meters	138,733	32,893	171,626
18	335	Hydrants	1,972	-	1,972
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous Equipment	27,987	-	27,987
21	340	Office Furniture and Fixtures	40,003	580	40,583
22	341	Transportation Equipment	55,635	(13,000)	42,635
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	12,132	872	13,004
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	64,891	(12,840)	52,051
27	346	Communications Equipment	9,632	-	9,632
28	347	Miscellaneous Equipment	4,329	-	4,329
29	348	Other Tangible Plant	69,225	-	69,225
30					
31					
32		TOTAL WATER PLANT	$ 1,368,523	$ 50,657	$ 1,419,181
33					
34		SUPPORTING SCHEDULES		RECAP SCHEDULES:	
35				A-4	
36				E-1	
37					

Golden Shores Water Company
Test Year Ended June 30, 2006
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 6/30/2006	Prior Year Ended 6/30/2005	Prior Year Ended 6/30/2004
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	165,996	128,326	147,314
6				
7				
8				
9	Water Revenues from Customers:	$ 478,064	$ 447,886	$ 458,747
10				
11				
12				
13				
14	Year End Number of Customers	1,529	1,438	1,372
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	109	89	107
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 312.66	$ 311.46	$ 334.36
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.2718	$ 0.2907	$ 0.2848
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

Golden Shores Water Company
Test Year Ended June 30, 2006
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 6/30/2006	Prior Year Ended 6/30/2005	Prior Year Ended 6/30/2004
1				
2				
3	Federal Income Taxes	$ (9,283)	$ (8,370)	$ (12,209)
4	State Income Taxes	-	-	-
5	Payroll Taxes	14,176	17,484	12,949
6	Property Taxes	24,864	25,833	23,586
7				
8	Totals	$ 29,757	$ 34,947	$ 24,326
9				
10				
11				
12				
13				
14				

Golden Shores Water Company
Test Year Ended June 30, 2006
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

The Company does conduct independent audits

SCHEDULE

F

Golden Shores Water Company
Test Year Ended June 30, 2006
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 6/30/2007	At Proposed Rates Year Ended 6/30/2007
1	**Revenues**			
2	Metered Water Revenues	$ 478,064	$ 502,551	$ 656,586
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	60,135	4,983	4,983
5		$ 538,199	$ 507,533	$ 661,569
6	**Operating Expenses**			
7	Salaries and Wages	$ 148,058	$ 148,058	$ 148,058
8	Purchased Water	12,181	12,181	12,181
9	Purchased Power	-	-	-
10	Chemicals	-	-	-
11	Repairs and Maintenance	45,113	40,068	40,068
12	Office Supplies and Expense	224	224	224
13	Outside Services	4,478	4,478	4,478
14	Water Testing	(3,920)	-	-
15	Rents	1,593	1,593	1,593
16	Transportation Expenses	363	363	363
17	Insurance - General Liability	49,773	20,269	20,269
18	Insurance - health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	2,780	2,780	2,780
20	Miscellaneous Expense	230	230	230
21	Depreciation Expense	-	-	-
22	Taxes Other Than Income	320	320	320
23	Property Taxes	90,000	90,000	90,000
24	Income Tax	(9,283)	(18,989)	16,977
25				
26	**Total Operating Expenses**	$ 341,909	$ 301,575	$ 337,541
27	**Operating Income**	$ 196,290	$ 205,959	$ 324,028
28	**Other Income (Expense)**			
29	Interest Income	518	-	-
30	Other income	(3,914)	-	-
31	Interest Expense	(16,689)	(13,155)	(13,155)
32	Other Expense	-	-	-
33	Gain/Loss Sale of Fixed Assets	-	-	-
34	**Total Other Income (Expense)**	$ (20,085)	$ (13,155)	$ (13,155)
35	**Net Profit (Loss)**	$ 176,205	$ 192,804	$ 310,873
36				

Golden Shores Water Company
Test Year Ended June 30, 2006
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2007
1				
2				
3				
4	301	Organization Cost	$ -	$ -
5	302	Franchise Cost	-	-
6	303	Land and Land Rights	-	-
7	304	Structures and Improvements	-	-
8	305	Collecting and Impounding Res.	53,859	-
9	306	Lake River and Other Intakes	-	-
10	307	Wells and Springs	-	-
11	308	Infiltration Galleries and Tunnels	-	-
12	309	Supply Mains	-	-
13	310	Power Generation Equipment	-	-
14	311	Electric Pumping Equipment	-	-
15	320	Water Treatment Equipment	-	-
16	330	Distribution Reservoirs & Standpipe	-	-
17	331	Transmission and Distribution Mains	42,152	-
18	333	Services	-	-
19	334	Meters	32,893	-
20	335	Hydrants	-	-
21	336	Backflow Prevention Devices	-	-
22	339	Other Plant and Miscellaneous Equipment	-	20,000
23	340	Office Furniture and Fixtures	580	-
24	341	Transportation Equipment	(13,000)	-
25	342	Stores Equipment	-	-
26	343	Tools and Work Equipment	872	-
27	344	Laboratory Equipment	-	-
28	345	Power Operated Equipment	(12,840)	-
29	346	Communications Equipment	-	-
30	347	Miscellaneous Equipment	-	-
31	348	Other Tangible Plant	-	-
32				
33	Total		$ 104,517	$ 20,000
34				
35				
36				

Golden Shores Water Company
Test Year Ended June 30, 2006
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Income taxes were computed using statutory state and federal income tax rates.
9	
10	
11	
12	
13	
14	
15	

SCHEDULE

H

Golden Shores Water Company
Revenue Summary
Test Year Ended June 30, 2006

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Addition Bills	Addition Gallons
1	5/8 x 3/4 Inch Meter	$ 469,455	$ 616,838	$ 147,382	31.39%		
2	3/4 Inch Meter	-	-	-	0.00%		
3	1 Inch Meter	-	-	-	0.00%		
4	2 Inch Meter	8,043	10,362	2,319	28.84%		
5	Standpipe (Construction Water TVE)	44,183	49,682	5,498	12.44%		
6	Standpipe	18,249	20,520	2,271	12.44%		
7		-	-	-			
8							
9							
10	Subtotals of Revenues	$ 539,931	$ 697,402	$ 157,471	29.17%		
11							
12	Other Water Revenues	4,982	4,982	-	0.00%		
13							
14							
15	**Subtotals of Revenues**	$ 544,912	$ 702,383	$ 157,471	28.90%	Addition	Addition
16	**Revenue Annualizations:**					Bills	Gallons
17	5/8 Inch residential	$ 6,238	$ 7,738	$ 1,501	24.06%	239	1,074,239
18	3/4 Inch Meter	-	-	-	0.00%	-	-
19	1 Inch Meter	-	-	-	0.00%	0	-
20	2 Inch Meter	-	-	-	0.00%	-	-
21	Standpipe (Construction Water TVE)	(44,183)	(49,682)	(5,498)	12.44%	(1)	(19,637,000)
22	**Subtotal Revenue Annualization**	(37,946)	(41,943)	(3,998)	10.54%	238	(18,562,762)
23							
24	**Total Revenues Per Bill Count**	$ 506,967	$ 660,440	$ 153,473	30.27%		
25	**With Annualization**						
26							
27	**REVENUE RECONCILIATION**						
28	**Revenues including Annualization**	**$ 506,967**					
29	**Adjusted Revenues per C-1 (Column 4, Line 5)**	**$ 507,533**					
30	**Difference in Dollars**	**$ 567**					
31	**Dfference in Percentage**	**0.11%**					
32	**Tolerance Allowed (+ or -)**	**0.50%**					
33							
34							

Golden Shores Water Company
Analysis of Revenue by Detailed Class
Test Year Ended June 30, 2006

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 6/30/2006	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8 x 3/4 Inch Meter	1,508	7,555	$ 469,455	$ 616,838	$ 147,382	31.39%	99.74%
2	3/4 Inch Meter	-	-	-	-	-	0.00%	0.00%
3	1 Inch Meter	-	-	-	-	-	0.00%	0.00%
4	2 Inch Meter	2	64,980	8,043	10,362	2,319	28.84%	0.13%
5	Standpipe (Construction Water TVE)	1	1,636,417	44,183	49,682	5,498	12.44%	0.07%
6	Standpipe (Other)	1	1,013,847	18,249	20,520	2,271	12.44%	0.07%
7								
8								
9								
10								
11								
12								
13								
14	Totals	1,512						100.00%
15								
16	Actual Year End Number							
17	of Customers:	1,518						
18								
19								
20	*TVE = Topock Village Estates							
21								

Golden Shores Water Company
Present and Proposed Rates
Test Year Ended June 30, 2006

Exhibit
Schedule H-3
Page 1
Witness: Bourassa

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1	**Monthly Usage Charge for:**			
2	5/8 x 3/4 Inch	$ 16.05	$ 18.80	17.13%
3	3/4 Inch	25.00	29.29	17.16%
4	1 Inch	50.00	58.58	17.16%
5	1 1/2 Inch	150.00	175.73	17.15%
6	2 Inch	250.00	292.88	17.15%
7	3 Inch	350.00	410.03	17.15%
8	4 Inch	400.00	468.60	17.15%
9	5 Inch	600.00	N/A	
10	6 Inch	900.00	1,054.35	17.15%
11			-	
12	Standpipe	-	-	0.00%
13				
14				
15	Gallons included in Minimum	-	-	
16		**Present**	**Proposed**	
17	**Tier 1:** (Gallon upper limit, up to, but not exceeding)	**Rates**	**Rates**	
18	5/8 x 3/4 Inch	All gallons over min.	Please See	
19	34 Inch	All gallons over min.	Page 2	
20	1 Inch	All gallons over min.		
21	1.5 Inch	All gallons over min.		
22	2 Inch	All gallons over min.		
23	3 Inch	All gallons over min.		
24	4 Inch	All gallons over min.		
25	6 Inch	All gallons over min.		
26	8 Inch	All gallons over min.		
27				
28	**Tier 2:** (Gallon upper limit, up to, but not exceeding)			
29	5/8 x 3/4 Inch	Not Applicable	Please See	
30	3/4 Inch	Not Applicable	Page 2	
31	1 Inch	Not Applicable		
32	1.5 Inch	Not Applicable		
33	2 Inch	Not Applicable		
34	3 Inch	Not Applicable		
35	4 Inch	Not Applicable		
36	6 Inch	Not Applicable		
37	8 Inch	Not Applicable		
38				
39	**Tier 3:** (Gallon upper limit, up to, but not exceeding)			
40	5/8 x 3/4 Inch	Not Applicable	Please See	
41	3/4 Inch	Not Applicable	Page 2	
42	1 Inch	Not Applicable		
43	1.5 Inch	Not Applicable		
44	2 Inch	Not Applicable		
45	3 Inch	Not Applicable		
46	4 Inch	Not Applicable		
47	6 Inch	Not Applicable		
48	8 Inch	Not Applicable		

Golden Shores Water Company
Present and Proposed Rates
Test Year Ended June 30, 2006

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

Line No.	Customer Classification and Meter Size		Present Rates		Proposed Rates	Change
1						
2						
3			Present		Proposed	Change
4	Commodity Rates (per 1,000 gallons in excess of gallons in Each Tier)					
5	All customer classes except Standpipe	Tier 1	$ 1.31		$ 1.53	16.79%
6	All customer classes except Standpipe	Tier 2	1.31		2.03	54.96%
7	All customer classes except Standpipe	Tier 3	1.31		2.53	93.13%
8						
9	Standpipe	All Water	$ 2.25		$ 2.64	17.15%
10						
11			Proposed Rates			
12			From Gallons		To Gallons	
13						Price
14	**5/8 Inch and 3/4 Inch Meters**					
15	Tier 1	over	-	up to	4,000	$ 1.53
16	Tier 2	over	4,001	up to	10,000	$ 2.03
17	Tier 3	over	10,001			$ 2.53
18						
24	**1 Inch Meter**					
25	Tier 1	over	-	up to	25,000	$ 2.03
26	Tier 2	over	25,001			$ 2.53
27						
28						
29	**1.5 Inch Meter**					
30	Tier 1	over	-	up to	50,000	$ 2.03
31	Tier 2	over	50,001			$ 2.53
32						
33						
34	**2 Inch and Larger Meters**					
35	Tier 1	over	-	up to	80,000	$ 2.03
36	Tier 2	over	80,001			$ 2.53
37						
38						
39	**Standpipe**		All Water			$ 2.53

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Golden Shores Water Company
Present and Proposed Rates
Test Year Ended June 30, 2006

Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
7	5/8 x 3/4 Inch			$ 410.00	$ 385.00	$ 135.00	$ 520.00
8	3/4 Inch			455.00	385.00	215.00	600.00
9	1 Inch			520.00	435.00	255.00	690.00
10	1 1/2 Inch			740.00	470.00	465.00	935.00
11	2 Inch Turbo			NA	630.00	965.00	1,595.00
12	2 Inch, Compound			1,800.00	630.00	1,690.00	2,320.00
13	3 Inch Turbo			NA	805.00	1,470.00	2,275.00
14	3 Inch, compound			2,340.00	845.00	2,265.00	3,110.00
15	4 Inch Turbo			NA	1,170.00	2,350.00	3,520.00
16	4 Inch, compound			3,405.00	1,230.00	3,245.00	4,475.00
17	5 Inch			Cost	N/A	N/A	N/A
18	6 Inch Turbo			NA	1,730.00	4,545.00	6,275.00
19	6 Inch, compound			6,510.00	1,770.00	6,280.00	8,050.00
20	8 Inch			NA	At Cost	At Cost	At Cost
21	10 Inch			NA	At Cost	At Cost	At Cost
22	12 Inch			NA	At Cost	At Cost	At Cost

Other Charges:

			RULES
Establishment	$ 30.00	$ 30.00	Establishment (R14-2-403.D.1)
Establishment (After Hours)	$ 45.00	$ 45.00	Establishment (After Hours) (R14-2-403.D.2)
Reconnection (Delinquent)	$ 45.00	$ 45.00	Meter Test (R14-2-408.F)
Reconnection (Delinquent) after hours	$ 45.00	$ 45.00	Deposit (R14-2-403.B)
Meter Test	$ 30.00	$ 30.00	Deposit Interest (R14-2-403.B.3)
Deposit	PER RULE	PER RULE	Re-establishment (R14-2-403.D.1)
Deposit Interest	PER RULE	PER RULE	NSF Check (R14-2-409.F.1)
Re-establishment (Within 12 months)	PER RULE	PER RULE	Deferred Payment (R14-2-409.G.6)
NSF Check	$ 10.00	$ 10.00	Meter Re-read (R14-2-408.C.2)
Deferred Payment per month	1.5%	1.5%	
Meter Re-read	$ 15.00	$ 15.00	
Late Fee (a)	1.5%	1.5%	
Customer requested Meter Test	$ 30.00	$ 30.00	
Sprinkler Service	$ 30.00	$ 30.00	

(a) 1.5% of unpaid balance

(b) 1% of monhly minimum for a comparable sized meter connection, but no less tahn $5.00 per month.

Golden Shores Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 0
Test Year Ended June 30, 2006
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.05	$ 18.80	$ 2.75	17.13%
1,000	17.36	20.33	$ 2.97	17.11%
2,000	18.67	21.86	$ 3.19	17.09%
3,000	19.98	23.39	$ 3.41	17.07%
4,000	21.29	24.92	$ 3.63	17.05%
5,000	22.60	26.95	$ 4.35	19.25%
6,000	23.91	28.98	$ 5.07	21.20%
7,000	25.22	31.01	$ 5.79	22.96%
8,000	26.53	33.04	$ 6.51	24.54%
9,000	27.84	35.07	$ 7.23	25.97%
10,000	29.15	37.10	$ 7.95	27.27%
12,000	31.77	42.16	$ 10.39	32.70%
14,000	34.39	47.22	$ 12.83	37.31%
16,000	37.01	52.28	$ 15.27	41.26%
18,000	39.63	57.34	$ 17.71	44.69%
20,000	42.25	62.40	$ 20.15	47.69%
25,000	48.80	75.05	$ 26.25	53.79%
30,000	55.35	87.70	$ 32.35	58.45%
35,000	61.90	100.35	$ 38.45	62.12%
40,000	68.45	113.00	$ 44.55	65.08%
45,000	75.00	125.65	$ 50.65	67.53%
50,000	81.55	138.30	$ 56.75	69.59%
60,000	94.65	163.60	$ 68.95	72.85%
70,000	107.75	188.90	$ 81.15	75.31%
80,000	120.85	214.20	$ 93.35	77.24%
90,000	133.95	239.50	$ 105.55	78.80%
100,000	147.05	264.80	$ 117.75	80.07%
Average Usage				
7,555	$ 25.95	$ 32.14	$ 6.19	23.85%
Median Usage				
4,500	$ 21.95	$ 25.94	$ 3.99	18.18%

Present Rates:

Monthly Minimum:		$ 16.05
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All gallons		$ 1.31

Proposed Rates:

Monthly Minimum:		$ 18.80
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	4,000	$ 1.53
Up to	10,000	$ 2.03
Over	10,001	$ 2.53

Golden Shores Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification 2 Inch Meter
Test Year Ended June 30, 2006
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 250.00	$ 292.88	$ 42.88	17.15%
1,000	251.31	294.91	$ 43.60	17.35%
2,000	252.62	296.94	$ 44.32	17.54%
3,000	253.93	298.97	$ 45.04	17.74%
4,000	255.24	301.00	$ 45.76	17.93%
5,000	256.55	303.03	$ 46.48	18.12%
6,000	257.86	305.06	$ 47.20	18.30%
7,000	259.17	307.09	$ 47.92	18.49%
8,000	260.48	309.12	$ 48.64	18.67%
9,000	261.79	311.15	$ 49.36	18.85%
10,000	263.10	313.18	$ 50.08	19.03%
12,000	265.72	317.24	$ 51.52	19.39%
14,000	268.34	321.30	$ 52.96	19.74%
16,000	270.96	325.36	$ 54.40	20.08%
18,000	273.58	329.42	$ 55.84	20.41%
20,000	276.20	333.48	$ 57.28	20.74%
25,000	282.75	343.63	$ 60.88	21.53%
30,000	289.30	353.78	$ 64.48	22.29%
35,000	295.85	363.93	$ 68.08	23.01%
40,000	302.40	374.08	$ 71.68	23.70%
45,000	308.95	384.23	$ 75.28	24.37%
50,000	315.50	394.38	$ 78.88	25.00%
60,000	328.60	414.68	$ 86.08	26.20%
70,000	341.70	434.98	$ 93.28	27.30%
80,000	354.80	455.28	$ 100.48	28.32%
90,000	367.90	480.58	$ 112.68	30.63%
100,000	381.00	505.88	$ 124.88	32.78%
150,000	446.50	632.38	$ 185.88	41.63%
200,000	512.00	758.88	$ 246.88	48.22%
250,000	577.50	885.38	$ 307.88	53.31%
300,000	643.00	1,011.88	$ 368.88	57.37%
350,000	708.50	1,138.38	$ 429.88	60.67%
400,000	774.00	1,264.88	$ 490.88	63.42%
450,000	839.50	1,391.38	$ 551.88	65.74%

Average Usage				
64,980	$ 335.12	$ 424.79	$ 89.67	26.76%
Median Usage				
45,000	$ 308.95	$ 384.23	$ 75.28	24.37%

Present Rates:

Monthly Minimum:		$ 250.00
Gallons in Minimum		
Charge Per 1,000 Gallons		
All gallons		$ 1.31

Proposed Rates:

Monthly Minimum:		$ 292.88
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	80,000	$ 2.03
Over	80,001	$ 2.53

Golden Shores Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Standpipe (Construction Water
Test Year Ended June 30, 2006
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ -	$ -	$ -	0.00%
1,000	2.25	2.53	0.28	12.44%
2,000	4.50	5.06	0.56	12.44%
3,000	6.75	7.59	0.84	12.44%
4,000	9.00	10.12	1.12	12.44%
5,000	11.25	12.65	1.40	12.44%
6,000	13.50	15.18	1.68	12.44%
7,000	15.75	17.71	1.96	12.44%
8,000	18.00	20.24	2.24	12.44%
9,000	20.25	22.77	2.52	12.44%
10,000	22.50	25.30	2.80	12.44%
12,000	27.00	30.36	3.36	12.44%
14,000	31.50	35.42	3.92	12.44%
16,000	36.00	40.48	4.48	12.44%
18,000	40.50	45.54	5.04	12.44%
20,000	45.00	50.60	5.60	12.44%
25,000	56.25	63.25	7.00	12.44%
30,000	67.50	75.90	8.40	12.44%
35,000	78.75	88.55	9.80	12.44%
40,000	90.00	101.20	11.20	12.44%
45,000	101.25	113.85	12.60	12.44%
50,000	112.50	126.50	14.00	12.44%
60,000	135.00	151.80	16.80	12.44%
70,000	157.50	177.10	19.60	12.44%
80,000	180.00	202.40	22.40	12.44%
90,000	202.50	227.70	25.20	12.44%
100,000	225.00	253.00	28.00	12.44%
250,000	562.50	632.50	70.00	12.44%
500,000	1,125.00	1,265.00	140.00	12.44%
750,000	1,687.50	1,897.50	210.00	12.44%
1,000,000	2,250.00	2,530.00	280.00	12.44%
1,250,000	2,812.50	3,162.50	350.00	12.44%
1,500,000	3,375.00	3,795.00	420.00	12.44%
1,750,000	3,937.50	4,427.50	490.00	12.44%
2,000,000	4,500.00	5,060.00	560.00	12.44%
2,250,000	5,062.50	5,692.50	630.00	12.44%
2,500,000	5,625.00	6,325.00	700.00	12.44%
Average Usage				
1,636,417	$ 3,681.94	$ 4,140.13	$ 458.20	12.44%
Median Usage				
1,517,000	$ 3,413.25	$ 3,838.01	$ 424.76	12.44%

Present Rates:
Monthly Minimum: $ -
Gallons in Minimum -
Charge Per 1,000 Gallons
All gallons $ 2.25

Proposed Rates:
Monthly Minimum: $ -
Gallons in Minimum -
Charge Per 1,000 Gallons
All gallons $ 2.53

Golden Shores Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification — Standpipe - Other
Test Year Ended June 30, 2006
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ -	$ -	$ -	0.00%
1,000	2.25	2.53	0.28	12.44%
2,000	4.50	5.06	0.56	12.44%
3,000	6.75	7.59	0.84	12.44%
4,000	9.00	10.12	1.12	12.44%
5,000	11.25	12.65	1.40	12.44%
6,000	13.50	15.18	1.68	12.44%
7,000	15.75	17.71	1.96	12.44%
8,000	18.00	20.24	2.24	12.44%
9,000	20.25	22.77	2.52	12.44%
10,000	22.50	25.30	2.80	12.44%
12,000	27.00	30.36	3.36	12.44%
14,000	31.50	35.42	3.92	12.44%
16,000	36.00	40.48	4.48	12.44%
18,000	40.50	45.54	5.04	12.44%
20,000	45.00	50.60	5.60	12.44%
25,000	56.25	63.25	7.00	12.44%
30,000	67.50	75.90	8.40	12.44%
35,000	78.75	88.55	9.80	12.44%
40,000	90.00	101.20	11.20	12.44%
45,000	101.25	113.85	12.60	12.44%
50,000	112.50	126.50	14.00	12.44%
60,000	135.00	151.80	16.80	12.44%
70,000	157.50	177.10	19.60	12.44%
80,000	180.00	202.40	22.40	12.44%
90,000	202.50	227.70	25.20	12.44%
100,000	225.00	253.00	28.00	12.44%
250,000	562.50	632.50	70.00	12.44%
500,000	1,125.00	1,265.00	140.00	12.44%
750,000	1,687.50	1,897.50	210.00	12.44%
1,000,000	2,250.00	2,530.00	280.00	12.44%
1,250,000	2,812.50	3,162.50	350.00	12.44%
1,500,000	3,375.00	3,795.00	420.00	12.44%
1,750,000	3,937.50	4,427.50	490.00	12.44%
2,000,000	4,500.00	5,060.00	560.00	12.44%
Average Usage				
1,013,847	$ 2,281.16	$ 2,565.03	$ 283.88	12.44%
Median Usage				
1,411,750	$ 3,176.44	$ 3,571.73	$ 395.29	12.44%

Present Rates:
Monthly Minimum: $ -
Gallons in Minimum -
Charge Per 1,000 Gallons
All gallons $ 2.25

Proposed Rates:
Monthly Minimum: $ -
Gallons in Minimum -
Charge Per 1,000 Gallons
All gallons $ 2.53

Golden Shores Water Company
Test Year Ended June 30, 2006
Customer Classification 5/8 Inch Meters

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	1st Quarter	2nd Quarter	3nd Quarter	4th Quarter	Total Year	Cumul-ative Billing
0	0	705	730	797	812	3044	3,044
1	1,000	412	402	403	369	1586	4,630
1,001	2,000	186	367	391	296	1240	5,870
2,001	3,000	192	271	451	328	1242	7,112
3,001	4,000	256	302	373	277	1208	8,320
4,001	5,000	260	299	347	279	1185	9,505
5,001	6,000	221	250	256	221	948	10,453
6,001	7,000	297	313	336	296	1242	11,695
7,001	8,000	227	171	191	219	808	12,503
8,001	9,000	205	153	147	180	685	13,188
9,001	10,000	251	185	136	140	712	13,900
10,001	12,000	202	290	205	230	927	14,827
12,001	14,000	156	181	129	185	651	15,478
14,001	16,000	133	157	83	121	494	15,972
16,001	18,000	106	120	69	126	421	16,393
18,001	20,000	80	89	46	91	306	16,699
20,001	25,000	152	128	59	167	506	17,205
25,001	30,000	96	42	44	104	286	17,491
30,001	35,000	75	30	20	60	185	17,676
35,001	40,000	37	17	19	37	110	17,786
40,001	50,000	48	16	18	36	118	17,904
50,001	60,000	21	6	5	20	52	17,956
60,001	70,000	20	8	2	9	39	17,995
70,001	80,000	18	0	1	9	28	18,023
80,001	90,000	9	2	3	8	22	18,045
90,001	100,000	1	3	-	6	10	18,055
Over 100,000 gallons							
100,000	100,000				1	1	18,056
101,000	101,000		1			1	18,057
102,000	102,000		1			1	18,058
102,000	102,000			1		1	18,059
103,000	103,000	1				1	18,060
105,000	105,000	1				1	18,061
105,000	105,000				1	1	18,062
105,000	105,000				1	1	18,063
106,000	106,000			1		1	18,064
107,000	107,000	2				2	18,066
107,000	107,000		1			1	18,067
107,000	107,000				1	1	18,068
109,000	109,000				1	1	18,069
110,000	110,000		2			2	18,071
110,000	110,000		1			1	18,072
114,000	114,000				1	1	18,073
115,000	115,000	1				1	18,074
115,000	115,000				1	1	18,075
116,000	116,000				1	1	18,076
117,000	117,000	1				1	18,077
117,000	117,000			1		1	18,078
118,000	118,000	1				1	18,079
118,000	118,000		1			1	18,080

Golden Shores Water Company
Test Year Ended June 30, 2006
Customer Classification 5/8 Inch Meters

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	1st Quarter	2nd Quarter	3nd Quarter	4th Quarter	Total Year	Cumul-ative Billing
128,000	128,000	1				1	18,081
129,000	129,000		1			1	18,082
146,000	146,000		1			1	18,083
149,000	149,000		1			1	18,084
150,000	150,000		1			1	18,085
150,000	150,000		1			1	18,086
179,000	179,000				1	1	18,087
186,000	186,000	1				1	18,088
200,000	200,000			1		1	18,089
210,000	210,000				1	1	18,090
231,000	231,000	1				1	18,091
301,000	301,000			1		1	18,092
491,000	491,000			1		1	18,093
						0	18,093
Totals		4,376	4,544	4,537	4,636	18,093	
					Average Use	7,555	
					Median Use	4,500	

Golden Shores Water Company
Test Year Ended June 30, 2006
Customer Classification 2 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of July	Month of Aug.	Month of Sept.	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan.	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Total Year	Cumul-ative Billing
0	0													0	-
1	1,000													0	-
1,001	2,000													0	-
2,001	3,000													0	-
3,001	4,000													0	-
4,001	5,000													0	-
5,001	6,000													0	-
6,001	7,000													0	-
7,001	8,000													0	-
8,001	9,000													0	-
9,001	10,000													0	-
10,001	12,000													0	-
12,001	14,000						1							1	1
14,001	16,000				1				1					2	3
16,001	18,000													0	3
18,001	20,000					1								1	4
20,001	25,000	1						1		1				3	7
25,001	30,000										1			1	8
30,001	35,000												1	1	9
35,001	40,000			1								1		2	11
40,001	50,000		1										1	2	13
50,001	60,000													0	13
60,001	70,000													0	13
70,001	80,000	1							1					2	15
80,001	90,000		1											1	16
90,001	100,000						1					1		2	18
Over 100,000 gallons															
103,000	103,000										1			1	19
104,000	104,000									1				1	20
129,000	129,000							1						1	21
133,000	133,000					1								1	22
145,000	145,000			1										1	23
166,000	166,000				1									1	24
	-													-	24
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24	

Average Usage	64,980
Median Usage	45,000
Average # Customers	2

Golden Shores Water Company
Test Year Ended June 30, 2006
Customer Classification — Standpipe (Construction Water - Topock Village Estates)

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of July	Month of Aug.	Month of Sept.	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan.	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Total Year	Cumulative Billing
0	0													-	-
1	1,000													-	-
1,001	2,000													-	-
2,001	3,000													-	-
3,001	4,000													-	-
4,001	5,000													-	-
5,001	6,000													-	-
6,001	7,000													-	-
7,001	8,000													-	-
8,001	9,000													-	-
9,001	10,000													-	-
10,001	12,000													-	-
12,001	14,000													-	-
14,001	16,000													-	-
16,001	18,000													-	-
18,001	20,000													-	-
20,001	25,000													-	-
25,001	30,000													-	-
30,001	35,000													-	-
35,001	40,000													-	-
40,001	50,000													-	-
50,001	60,000													-	-
60,001	70,000													-	-
70,001	80,000													-	-
80,001	90,000													-	-
90,001	100,000													-	-
Over 100,000 gallons															
599,000	599,000								1					1	1
687,000	687,000					1								1	2
917,000	917,000									1				1	3
1,158,000	1,158,000							1						1	4
1,207,000	1,207,000						1							1	5
1,352,000	1,352,000												1	1	6
1,682,000	1,682,000											1		1	7
1,923,000	1,923,000										1			1	8
1,972,000	1,972,000				1									1	9
2,309,000	2,309,000	1												1	10
2,474,000	2,474,000		1											1	11
3,357,000	3,357,000			1										1	12
														-	12
	Totals	1	1	1	1	1	1	1	1	1	1	1	1	12	
											Average Usage			1,636,417	
											Median Usage			1,517,000	

Golden Shores Water Company
Test Year Ended June 30, 2006
Customer Classification Standpipe - Other

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of July	Month of Aug.	Month of Sept.	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan.	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Total Year	Cumulative Billing
0	0													-	-
1	1,000													-	-
1,001	2,000													-	-
2,001	3,000													-	-
3,001	4,000													-	-
4,001	5,000													-	-
5,001	6,000													-	-
6,001	7,000													-	-
7,001	8,000													-	-
8,001	9,000													-	-
9,001	10,000													-	-
10,001	12,000													-	-
12,001	14,000													-	-
14,001	16,000													-	-
16,001	18,000													-	-
18,001	20,000													-	-
20,001	25,000													-	-
25,001	30,000													-	-
30,001	35,000													-	-
35,001	40,000													-	-
40,001	50,000													-	-
50,001	60,000													-	-
60,001	70,000													-	-
70,001	80,000													-	-
80,001	90,000													-	-
90,001	100,000													-	-
Over 100,000 gallons															
365,018	365,018							1						1	1
443,169	443,169											1		1	2
465,013	465,013	1												1	3
503,311	503,311								1					1	4
515,453	515,453			1										1	5
640,813	640,813		1											1	6
1,655,316	1,655,316				1									1	7
3,522,680	3,522,680					1								1	8
														-	8
	Totals	1	1	1	1	1	-	1	1	-	-	1	-	8	

Average Usage	1,013,847
Median Usage	1,411,750
Average # Customers	1